

By email: National Gas Transmission – box.gsoconsultations@nationalgrid.com

10th March 2023

Dear Sir/Madam

RE: National Gas Transmission’s Consultation on ECS, ExCS and ECTT Methodology Statements and Reconsultation on ECR Methodology Statement

South Hook Gas Company Ltd. (“SHG”) welcomes the opportunity to respond to the above consultation on proposed amendments to the Entry Capacity Release Methodology Statement (“ECR”) as published by National Gas Transmission plc (“NGT”) on 13th February 2023¹ (“Consultation”). This letter comprises the response to the Consultation from SHG.

NGT consulted on proposed amendments to the ECR in relation to the same subject matter on 9 December 2022², with such consultation being subsequently amended on 27 January 2023 (the “2022 Consultation”). SHG did not support the proposed amendments, expressing a number of concerns relating to the justification for and impact of the proposal in SHG’s formal response to the 2022 Consultation on 13 January 2023³ (“2022 Consultation Response”). The proposed amendments that were the subject matter of the 2022 Consultation were subsequently rejected by Ofgem on 6 February 2023⁴.

In SHG’s view, NGT’s substantive proposals in the 2022 Consultation remain essentially unchanged in the Consultation. As such, SHG considers that the concerns expressed by SHG in its 2022 Consultation Response have not been satisfactorily resolved. Therefore, this response should be treated as supplementary to and should be read alongside SHG’s 2022 Consultation Response.

Fundamentally, the ECR amendments proposed in the Consultation will have the effect of restricting firm capacity available in the Monthly (“MSEC”) and Weekly (“WSEC”) System Entry Capacity auctions at the Milford Haven Aggregated System Entry Point (“MH ASEP”). SHG does not support this proposal on the grounds set out in greater detail in the 2022 Consultation Response. NGT proposes in the Consultation to retain the flexibility for capacity release in the MSEC and WSEC auctions to align with any Gassco maintenance schedule changes. SHG does not consider that this proposal provides any greater certainty for LNG suppliers to GB than the 2022 Consultation proposals or the position experienced during the Summer 2022 restrictions. Capacity release levels would not be certain until the relevant auction which would leave LNG suppliers with an open risk of delivering to GB.

SHG considers it extremely unlikely that a constraint (especially an enduring constraint) would occur at the proposed restriction levels a view echoed by Ofgem in its Decision Letter:

“Historical flows over the summer months have not reached such

¹ <https://www.nationalgas.com/document/142166/download>

² <https://www.nationalgas.com/gas-transmission/document/141626/download>

³ <https://www.nationalgas.com/gas-transmission/document/141906/download>

⁴ <https://www.ofgem.gov.uk/publications/decision-proposed-revisions-entry-capacity-release-methodology-statement-held-national-grid-gas-plc>

levels. Critically, the experience of last summer does not support this view. In 2022, capacity released was limited to levels at or around the capability level and there was considerable pressure to increase the numbers of LNG cargoes coming to GB to support exports to Europe. Despite these unusual circumstances, the situation did not result in capacity selling out nor in flows getting very close to the level of capability in the network at Milford Haven. Discussions between ourselves and industry have confirmed that it is not in the interests of shippers and LNG operators to generate a constraint and prevent cargoes from unloading.”

SHG’s view remains that these proposals are likely to lead to the unnecessary diversion of LNG cargoes away from GB (at a time when GB should be looking to attract LNG deliveries to mitigate the impact of the Norwegian gas pipeline outages), which could in turn lead to upwards pressure on the NBP price. As stated in the 2022 Consultation Response, SHG determined that the delivery of a single LNG cargo could reduce the NBP price by approx. 10p/th⁵ and that the overall benefit to GB of a single cargo delivery would be approx. £10m per day⁶. Therefore, given the unlikely scenario that a constraint will occur at the proposed restriction levels, SHG believes that retaining the status quo and releasing full capacity at Milford Haven throughout the year would leave GB consumers in a better position than if capacity were to be restricted.

SHG also has concerns regarding the interface between the Consultation timescales and the window for contracting and subsequent delivery of LNG cargoes for Summer 2023. The Consultation is open until 13th March 2023. NGT have stated they will seek to submit the proposal to Ofgem for consideration by 27th March 2023 and expect a decision before the MSEC auction in April 2023. These expected timings would leave SHG with extremely short notice for any decision to be factored into planning for May 2023. A period of weeks rather than months between an Ofgem decision and the delivery month could limit the ability of SHG to react. SHG feels that proposals of this nature should be raised, consulted on, and ultimately decided upon with as much lead time as possible to maximise clarity for industry, to enable optimal decisions to be made and to ensure enough time for changes to be reflected in commercial and operational decisions.

Based on the above, SHG remains of the view that any capacity restriction at Milford Haven, or any other point on the NTS, is unnecessary and would cause uncertainty which could result in lower levels of utilisation.

We hope this response is of assistance. Should you wish to discuss further or have any questions please contact Andrew Sealey at asealey@southhookgas.com and +44 (0)7825 612 704.

Yours sincerely,

Andrew Sealey
Commercial Operations Manager
South Hook Gas Company Ltd.

⁵ Based on December 2022 prices and LNG volumes delivered

⁶ Based on average NTS demand for December 2022