Via Email

Date: 23rd June 2023

RE: NTS GCD 13 – Impacts of Existing Contracts on Transmission Services Charges

Dear Colin,

SEFE Marketing & Trading Limited ("**SM&T**") is a wholly owned subsidiary of SEFE Securing Energy for Europe GmbH ("**SEFE**"), responsible for the optimisation of SEFE's energy commodity assets through SM&T's marketing and trading network. SM&T is active as a trader and marketer of gas at within the UK and Europe. SM&T appreciates the opportunity to respond to the GCD 13 consultation document ("**Consultation**") on the impacts of existing contracts on transmission service charges.

SM&T agrees that Existing Contracts are having a significant impact on the Transmission Service Entry Reserve Prices and causing disparity between Existing Contracts and new capacity. SM&T believes that the holders of Existing Contracts would have expected to pay a significantly higher rate for utilised Existing Contracts given the TO commodity charge would have been applicable at the time. It is also worth noting that several Existing Contracts acquired were at the previous minimum price of 0.0001 p/kWh[1] but would have expected a TO commodity charge of up to 0.0530 p/kWh[2] which would have brought it more in line with the current reserve price of 0.0784 p/kWh[3]. Due to the current charging regime, only the 0.0001 p/kWh is payable which highlights the extreme disparity between some Existing Contracts and new capacity. Therefore, SM&T believes there should be some remedy introduced to remove this extreme disparity and ensure more-equitable charging arrangements for Existing Contracts and new capacity.

Based on the options presented within the Consultation, SM&T considers only option 1 (a new commodity charge based on Utilisation of Existing Contracts) and option 4 (review of Entry/Exit split) to be compliant with EU Tariff Code (TAR NC)[4]. Option 1 best reflects the methodology under which the Existing Contracts are booked and achieves compliance with Article 35 whilst ensuring new capacity is booked under the revised methodology and remains compliant with Article 4. Despite this, further work needs to be done on the methodology to calculate the applicable commodity charge. One option could be to calculate the

[1] April 2019 Transportation Statement - https://www.nationalgas.com/document/130861/download
[2] Section 7 of GCD13
[3] Applicable from 1st October 2023 – https://www.nationalgas.com/document/143231/download
[4] Where applicable under Statutory Instruments Existing the European Union (Gas) – https://assets.publishing.service.gov.uk/media/5c17dfb0e5274a46824303c5/Gas_SI.pdf

revenue that would have been collected from the remaining Existing Contracts in the final year of the previous methodology and then apply indexation up to the relevant charging year. This indexed revenue could then be the base revenue with National Gas Transmission ("**NGT**") using the forecast utilised Existing Contracts for the relevant year as the denominator to calculate the commodity charge. This would allow for a dynamic and predictable calculation that would reflect the level of Existing Contracts each year.

Amending the Entry/Exit split could reduce the disparity between Existing Contracts and new capacity by reducing the ratio of revenue applied to Entry points. This is also compliant with EU TAR NC and common practise across the EU. SM&T recognises that altering the Entry/Exit split would be a fundamental change to the charging methodology and would likely need to be considered as part of wider charging change. Given this, SM&T recommends the topic of Entry/Exit split be included within the upcoming review of the charging methodology under EU TAR NC Article 27(5).

As a general governance point SM&T would prefer to see more strategic changes (such as the impact of Existing Contracts, an Entry/Exit split change and the EU TAR Article 27(5) review) to be done in parallel wherever possible to allow companies to fully assess the impact of potential changes.

We hope this response is of assistance. Should you wish to discuss further or have any questions please contact Adam Bates at adam.bates@sefe-mt.com or +44 (0)7585 888365.

Yours sincerely,

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