

By email

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15th May 2020

RE: GCD12: Informal consultation on Modifications raised to introduce a Conditional Discount to Avoid Inefficient Bypass of the NTS

Dear Colin,

South Hook Gas Company Ltd. (SHG) is grateful for the opportunity to respond to the questions raised in your NTS Gas Charging Discussion Document 12 (GCD12). As noted in GCD12, SHG is the proposer of UNC Modification 0718A and therefore supports the implementation of this solution for the reasons set out more fully in such Modification. For the sake of completeness and to support the preparation of the formal consultation and future UNC Proposals, SHG has answered the questions specified in section 8 of GCD12 below.

8.1 Key reasons for support/opposition

Ofgem's minded-to decision on UNC Modification 0678 and alternatives determined that only two of the proposals, Modifications 0678 and 0678A, would be compliant with the EU Tariff Code and stated a preference between such Modifications for implementation of Modification 0678A. Neither of these Modifications, if implemented, would provide a solution to prevent potential inefficient bypass of the NTS. In anticipation that either Modification 0678 or 0678A would be implemented, industry has been separately progressing the development of such a solution as part of Modification 0670R, with the eventual solution proposed to be implemented alongside Modification 0678 or 0678A.

SHG's reasons for raising Modification 0718A are set out in full in the Modification itself. However, to summarise, SHG believes that a solution is required to prevent users inefficiently developing private pipelines and thereby bypassing the NTS. In the absence of such a solution supplementing Modification 0678 or 0678A, the significant savings that could be realised by bypassing the NTS are likely to interest a number of users. SHG believes that the solution contained in Modification 0718A recognises the risk of these users bypassing the NTS and appropriately incentivises them to remain connected to the NTS, avoiding any inefficient bypass.

8.2 Preferred implementation lead time

As per the reasons stated above in the answer to Question 8.1, SHG believes that these proposals should be implemented in parallel with Modification 0678 or 0678A to ensure there is no window in which there is an incentive for NTS users to inefficiently bypass the NTS.

8.3 Impacts and costs

While SHG feels the priority should be for a solution under GCD12 to be implemented alongside the implementation of 0678 or 0678A, the proposed solutions would ultimately change the NTS Charging Arrangements and the prices set for the relevant gas year, therefore as much notice as reasonably possible should be given to allow for parties to respond appropriately to these changes.

8.4 Legal text

SHG has not completed its full legal review of the legal text for all proposals but is reviewing this in parallel with this informal consultation.

We hope this response is of assistance and should you wish to discuss further or have any further questions please contact me on abates@southhookgas.com or +44 (0)20 7234 3505.

Yours sincerely,

Adam Bates

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