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William Duff
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Per e-mail

19 August 2024

Dear William,

Re: Article 28 TAR NC consultation with the non-UK regulatory authorities of all directly connected countries or territories, the Utility Regulator of Northern Ireland and the relevant stakeholders

Thank you for the opportunity to respond to Ofgem's Article 28 Tariff Network Code consultation¹. It is important for Ofgem to take a broader, holistic approach in determining the structure of the GB NTS charging regime. The regime should ensure GB is an attractive destination to import gas, as well as facilitating competition in the market for the benefit of GB consumers. We would encourage Ofgem to take a leading role in the charging review given the challenge of consensus under an industry led process and the inability of non-UNC signatories, like Interconnector, to raise proposals despite being materially affected parties.

GB NTS charging regime challenges

Three key challenges with the current regime must be addressed. These challenges are regularly raised by shippers considering short term or long-term positions to deliver gas to GB versus alternative markets:

- **High entry charges affecting the international attractiveness of GB market, wholesale prices and consumer interest:** GB entry prices are the most expensive in northwest European markets. This makes it harder to attract gas into the market and increases the cost to consumers.

¹ <https://www.ofgem.gov.uk/consultation/article-28-tar-nc-consultation-2024>

- **The dual regime between legacy and new bookings creates a competitive distortion:** This issue is already well documented and recognised by Ofgem². This distorts competition between users at entry points and between entry points. LNG and Storage entry points, for example, still have large legacy positions on the NTS, whilst the Bacton NTS Entry IP connected to the Interconnectors, holds less than 1% of existing contracts.
- **Uncertainty about NTS tariffs:** Whilst some measures have been taken, NTS entry price stability is an issue. Particularly as the dual regime means revenue recovery adjustments impact new bookings more. This uncertainty can discourage parties taking longer term NTS capacity positions potentially affecting security of supply.

We believe these challenges should be urgently addressed recognising the gas supply picture of Europe is changing dramatically with the loss of Russian supply volumes and the significant expansion of LNG re-gas capacity on the continent. This increases the risk of gas flows bypassing GB or consumers having to pay higher prices to attract gas into GB.

The NTS Entry/Exit review

As you are aware, an NTS entry/exit review has been launched in the UNC NTSCMF to consider if the current 50/50 split for recovering allowed NTS revenue remains appropriate. Interconnector welcomes the review. A lower allocation of allowed revenue to entry points can lower NTS entry tariffs, making GB a more competitive destination for gas (improving security of supply), lower wholesale energy costs, and enhance competition by reducing the impact of the dual regime. This would benefit GB consumers.

LNG entry point discounts

We have already highlighted the need for a holistic approach to review the GB charging regime and would caution against introducing LNG discounts. We believe rather than looking at specific discounts for one type of entry user the better approach is to review the entry/exit split. It can address the challenges highlighted above, enhance security of supply and facilitate GB entry competition.

A discount for one type of entry point distorts competitions with other entry routes. With GB's import dependency increasing in the next decade, it is important that all import routes have a level playing field. Arrangements therefore should be non-discriminatory and supportive of effective competition. This will benefit GB Security of Supply and consumer welfare.

Discounts mean "missing revenue" must be recovered elsewhere. With large discounts already applied to entry from Storage, and significant entry legacy contracts remaining, there remains only a handful of entry points and "new bookings" to apply higher charges to recover missing revenue. Applying additional charges to Bacton NTS entry, for example, which already faces high entry tariffs and has few legacy bookings, will cause a distortion to competition and a likely barrier to cross border flows via this route (therefore harming GB security of supply).

If you wish to clarify anything in the letter, please do not hesitate to contact me (Pavanjit.dhesi@interconnector.com). Interconnector are also available to discuss this further with you and the team.

Yours Sincerely

Pavanjit Dhesi
Head of Regulatory Affairs

² [https://www.ofgem.gov.uk/sites/default/files/docs/2020/05/unc678 - decision_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2020/05/unc678_-_decision_0.pdf)