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5<sup>th</sup> March 2014

Dear Aled

**Statutory consultation on the 2014/15 Permits Arrangements (varying lead times for incremental obligated capacity) – Notice under section 23 (2) of the Gas Act February 2014**

We thank you for the opportunity to respond to this Statutory Consultation. This response is provided on behalf of RWE npower, RWE Generation SE and RWE Supply and Trading GmbH.

The industry has worked collaboratively to develop revised commercial arrangements for the release of incremental capacity that are consistent with the extended timescales introduced by the Planning Act. This has resulted in UNC Modification 0452V<sup>1</sup> and 0465<sup>2</sup> being submitted to the Authority for decision. Given that a decision on the Modifications has yet to be taken and that there are a range of associated documents, including Methodology Statements, licence conditions and the PARCA contract that will need to be agreed, we agree that a 1<sup>st</sup> April 2014 implementation for the PARCA is unlikely.

We share Ofgem's disappointment that enduring arrangements have not been put in place. Ofgem is "minded-to" change NGG's licence to provide the option to extend the Permits Arrangements for 2014/15 and we recognise that contingency arrangements are appropriate where it is necessary to adjust delivery lead times for incremental capacity beyond those set out in the licence. Our concern with the Permits Arrangements is that they represent a windfall for NGG should they not be required and we believe that, given the uncertainty of NGG's forecasts, the arrangements should be revised such that Permits are only deemed to be earned and unused to that extent that incremental capacity is actually released at the relevant entry or exit point.

Under Ofgem's "minded-to" position, the contingency arrangements would only be enabled if alternative commercial arrangements were not established in good time for the scheduled capacity release windows. We believe that this decision point needs to be better defined and the interaction between the mechanics of the Permits Arrangements and the upcoming ad hoc and Enduring exit capacity windows. This probably needs to be reflected in the proposed Licence drafting.

If you require any additional information or wish to discuss any aspects further, please do not hesitate to contact me.

Yours sincerely

By email so unsigned

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<sup>1</sup> Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)

<sup>2</sup> Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security

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