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13<sup>th</sup> March 2023

By Email to:  
Chris Logue, National Gas  
[box.gsoconsultations@nationalgrid.com](mailto:box.gsoconsultations@nationalgrid.com)

**Dear Chris,**

## **RWE's Response to National Gas Transmission's Reconsultation on the Entry Capacity Release Methodology Statement**

RWE welcomes the opportunity to respond to this reconsultation, and we are pleased that this topic continues to be presented for discussion at industry meetings.

However, we still do not support the proposed changes to restrict the amount of capacity released at Milford Haven to below the current baseline. This is because we believe the restrictions are more likely to have a negative overall impact on costs for the consumer compared with the current arrangements. We recognise that National Gas have significantly reduced the restrictions and limited them to specific weeks, but we note that the periods of the restriction are subject to change if the Gassco maintenance schedule periods are moved. Therefore, significant uncertainty for LNG importers remains. The result is that the potential restrictions will still have a wider impact and could well continue to deter import volumes outside of the current scheduled maintenance periods.

We would like to reiterate the importance, as mentioned in our previous consultation response, of a comprehensive and robust assessment which carefully considers the impact on prices and volumes of gas transacted on both the OCM and in the wholesale market under the current and proposed arrangements to understand the alternative cost outcomes.

In our previous consultation response, we outlined an approach to assessing the impact of capacity restrictions on wholesale market prices compared with the alternative of using commercial tools to manage constraints via locational trades, and the volumes transacted in each case. The analysis of both alternatives needs to be performed by an independent assessor in order to be able to make a comparison and provide an expert determination.

The locational constraints observed on 18<sup>th</sup> January 2023 illustrated that market participants in South Wales provided liquidity on the OCM, but liquidity was surprisingly poor on the other side of the constraint across the entirety of England and Scotland. We think the cost of locational trades may well significantly improve if this lack of liquidity was addressed. We think this might be easily be

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achieved. Prices on the other side of the constraint, which cover most of GB, should be very similar to prices at the NBP. Therefore, we still think the updated calculations of constraint management costs in Appendix 1 of the reconsultation are higher than they ought to be. We still do not think National Gas have correctly isolated the cost of constraints, by buying and selling the same amount of gas on either side, and believe this is still conflated with cash flows relating to balancing the system. We also think that the use of buybacks is unlikely and this also inflates the estimated cost of constraints.

If the expert determination is that restrictions are appropriate during Gassco maintenance periods, we think consideration should be given to the following:

- Fixing the periods of the restrictions. If the maintenance schedule changes, then constraints costs might occur. However, if the maintenance does indeed go ahead as scheduled, periods outside of the planned maintenance would remain unaffected throughout, because importers will have assurance that they can procure capacity up to the baseline close to delivery. Whether this is appropriate is likely to depend on the confidence level of the accuracy of the maintenance schedule.
- Releasing capacity at a value between network capability and the baseline. This is because LNG importers will look for headroom in capacity availability before deciding to import cargoes without having already bought capacity. Therefore, if capacity is released at the level of capability, there will be an (unnecessary) amount of unutilised capacity. Therefore, the optimal amount released probably ought to be higher than the level of capability.
- Offering weekly capacity auction products with a longer lead time. We would support this suggestion as long as these product auctions were in addition, not instead of, the current suite.

We still also have concerns that continuing to change the level of obligated capacity is not in line with the principles of UNC market arrangements and will have implications for investor confidence in the medium to long term.

If you have any comments or wish to discuss the issues raised in this letter, then please do not hesitate to contact me.

Yours sincerely,

***By email***

**Lauren Jauss**  
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