

ST FERGUS TERMINAL: CONSULTATION ON THE RANGE OF FUTURE CHARGING AND COMMERCIAL SOLUTIONS THAT SHOULD BE CONSIDERED AHEAD OF ANY PROPOSED INVESTMENT OPTIONS

Consultation response from OGUK

1. Do you wish your response to remain confidential (Y/N)?

No.

2. Following on from the RIIO-2 process do you agree with our approach to address the requirements of Final Determinations? a. is there anything else we should consider?

There is some confusion about what is covered between since the document mentions both asset health expenditure and compression costs. In addition, it is not clear whether the reference to asset health was to do with the entire NG terminal or related to ancillary equipment that solely supports NSMP. Introducing general asset health or any other type of general expenditure within scope risks opening up a much wider discussion around the charging regime which has only just been completed in the context of Modification 0678. Such general categories of expenditure should be out of scope of this consultation and considered in the same way as at any other location on the NGGT network i.e., socialised.

3. We would be interested in stakeholder views on whether we should include the wider market impact in our assessment and, if so, what robust method could we utilise?

Modelling with respect to Mod 0678 carried out by CEPA showed that tariff structure could be expected to have some impact on wholesale market prices and therefore consumer welfare.¹ Generally socialisation showed a modest benefit to consumers compared to targeted charges. Given the importance of St Fergus as a landing point for significant quantities of UK natural gas, this impact of the targeting of specific charges on users of St Fergus should be considered as part of an impact assessment.

Cost targeting

4. Do you support targeted charging where there is demonstrable localised benefits that should be borne by a targeted group of parties / customers? a. Please give your reasoning for your answer

There are pros and cons on targeting. On one hand, many operators are also users and stakeholders in other terminals and have had to invest in their own compression assets including both CAPEX and OPEX. They may therefore have concerns with being asked to contribute to compression at NSMP given that it is a competing terminal. And although OGUK supports the postage stage charging

¹ [cepa_unc678_analytical_support.pdf](#)

regime overall, there are some precedents for individual specific services at terminals being potentially subject to an individual charge where the costs can be identified as clearly incremental.

However, the experience of the gas charging review and the decision on Modification 0678 also highlighted the difficulty in ring-fencing a set of costs that can be allocated easily to specific users in a network with inherent spare capacity. The implication of this was the introduction of a postalised charge system where capability at any particular point can be expected to support the overall integrity of the GB network and with the costs being shared among all users. Departing from socialised charges should face a high hurdle and in the event of any doubt at all about whether there are demonstrable specific benefits, then costs should not be targeted.

5. If you believe the charge should be targeted, to what degree should this targeting take place i.e., users at entry, users at exit, users at NSMP sub-terminal or some distance-related charge?

The transmission system, including compression, benefits both entry and exit network users and there is no case for departing from the generally applied split, whatever that happens to be (currently 50:50).

6. In terms of the costs that should be reflected in the charge, do you think this should cover all of the following or specific categories. Cost categories are emissions driven, asset health, cyber security, physical security and decommissioning of redundant assets? a. Please give your reasoning for your answer, including which categories

Only the clearly identifiable incremental compression costs should be in the frame to be considered for a targeted charges and, as discussed above, there are some disadvantages in any form of targeting. Most of the categories mentioned above could be seen as joint and common costs associated with the operation of the terminal as a whole and should not be included in the assessment.

7. Do you believe the introduction of a targeted charge will change shipper behaviours such that flows could be redirected to avoid paying the additional charge? a. Please give your reasoning for your answer Other commercial remedies

This has already been considered in view of the reform of the modification 0728 (optional charge) so the discussion should not be reopened here.

8. Other than the changes to the UNC discussed i.e., cost targeting and limiting liabilities, are there other changes to the UNC that could be made to protect GB consumers?

No

9. Are there any other commercial options i.e., other than capacity buybacks and turndown arrangements that could be used as a solution

No