

TO:

Eleanor Warburton, Deputy Director. ESO & Gas Systems, Ofgem
Tom Corcut, Deputy Director Wholesale Markets, Ofgem

CC:

David O'Neill, Head of Gas Markets and Systems, Ofgem

7 May 2021

Subject: New EFET taskforce introduction, final decision request

Dear Ms Warburton, Mr Corcut

The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. We would like to take this opportunity to introduce the UK & Ireland Gas Taskforce that has been launched to focus on critical wholesale gas market design issues and provide an important contribution to consultations in aiding enhanced security of supply whilst ensuring benefits are delivered to end-consumers. You may note that a similar taskforce has been established to deal with electricity issues as well and has already had the opportunity to exchange views with Mr Tom Corcut from Ofgem.

We take this opportunity to signal the two issues that are important to our work:

- Modification of the decision-making procedure

EFET supports the proposed improvements to Ofgem's decision-making procedure that envisages prioritisation of the most urgent decisions and the announcement of the expected decision date. We also welcome the publication of Ofgem's final decision on UNC Mod 728 published on 27th April, in what is a crucial time of transition ahead of the new gas year commencing on October 2021.

- Final decision on redistribution of capacity at Bacton under UNC739

Ofgem received the Final Modification Report on 18 February 2021. The proposed decision date of 30th August 2021 is around 6 months later than Ofgem's current KPI to issue decisions within 25 working days of receiving the Report. EFET believes that the decision on the UNC 739 revision is the type of resolution that is both important and urgent, as it has implications on the pricing for gas supply contracts that are currently being negotiated and renewed. Users and customers require a reasonable period to agree and execute contracts to accommodate not only a 'conditional capacity discount' but also the redistribution of capacity at Bacton in order to properly assess their commercial positions for the upcoming winter season. We note that currently the decision is expected to be taken by 30th August, which leaves too little time for market participants to properly respond to the outcomes of that decision ahead of the upcoming gas year.

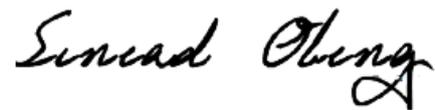
In light of this we request that a final decision on UNC 739 is published imminently to provide market participants with certainty and help them meet the commercial deadlines.

Further to this, we would like to express our general concern at the time it is taking for Ofgem to reach a decision on outstanding UNC proposals. UNC modification 0728 had been with Ofgem since July 2020 with a final decision being published on the 27th April 2021, eight months later. We understand that Ofgem had to carry out an Impact Assessment on the suite of proposals. However, in our view there was a long delay between Ofgem notifying the industry that an IA was to be carried out and publication of the actual IA. This is despite Ofgem recognising that industry needed certainty with respect to October 2021 tariffs to enable contracts to be negotiated. We note that UNC modification 0729 was received by Ofgem on the 18th September 2020. In the latest expected publication date timetable issued by Ofgem 4th May 2021 the expected decision date is not until 2nd August 2021. Of the seven UNC modification proposals currently with Ofgem none have a decision date less than seven months from the date that the proposal was sent to Ofgem. Four have been with Ofgem for nearly a year of longer. We therefore request accelerated *Expected publication dates*¹ for the UNC modifications mentioned above.

Although the issues surrounding transparency and certainty in Ofgem's decision making approach has been briefly outlined in the Ofgem Update presented to the UNC Modification panel on 15th April², our recommendations seek to provide further guidance on Ofgem's new "alternative approach" to ensure the "importance, urgency and impact" of these modifications is correctly reflected.

We would welcome the opportunity to have an introductory meeting and discuss any questions arising from this letter.

Your sincerely,
On behalf of UK & I Gas Taskforce,



Sinead Obeng
Chair of EFET UK & I Gas Taskforce



Doug Wood
Chair of EFET Gas Committee

¹ https://www.ofgem.gov.uk/system/files/docs/2021/05/code_modification_proposals_with_ofgem_for_decision_-_expected_publication_dates_timetable.pdf

² <https://www.gasgovernance.co.uk/index.php/panel/150421>