

NATIONAL GRID GAS

LICENCE CHANGE PROPOSAL

RECORDING NEW ENTRY/EXIT POINTS

INFORMAL CONSULTATION DOCUMENT

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Produced by

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1.0 EXECUTIVE SUMMARY

This document is being issued by National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transporter Licence (the “Licence”) in respect of the National Transmission System NTS.

This document sets out an informal consultation on National Grid’s proposal for updating the Licence in respect of the process for adding new NTS points. This informal consultation document is being issued to industry to obtain views and comments in respect to the following changes:

- Introduction of a new Zero baseline table outside of the Licence

The informal consultation response proforma is available in appendix 2. The closing date for submission of your responses is 17:00 7th January 2019; however, we welcome any responses ahead of this date.

2.0 GOVERNANCE FOR UPDATING THE LICENCE

Modifications to the Licence require statutory consultation under the Gas Act. These consultations are carried out by Ofgem. The objective of this informal consultation is to set out the drivers for change and to seek views on the proposed changes to the process to inform a potential Ofgem consultation process that would be necessary to modify the Licence

3.0 OVERVIEW OF THE EXISTING PROCESS AND DRIVERS FOR CHANGE

Current Process & Driver for Change

Currently each new NTS Point is required to be recorded in the NTS GT Licence via a section 23 Licence Modification before National Grid can make available any capacity at that point. This Modification process takes on average 6 months to complete. National Grid identify the points to be added and inform Ofgem who then carry out the Licence Statutory Consultation process.

To date this process has been manageable partly due to the limited number of new NTS connections and the time taken to connect the customers. In recent history 1 consultation per year has been sufficient to add new points into the licence adding multiple points in one consultation. For example, In March 2016, 3 exit points were added, in June 2015, 2 exit points added and in November 2014 there were 3 exit points added.

National Grid Gas is seeing an increased number of NTS Connection Application enquires. In addition, Project CLoCC, Customer Low Cost Connections, has developed solutions to enable Customers to connect to the NTS quicker. This project closed on 29th October 2018 and is now in a period of implementation. New potential customers are telling us they want to connect their project to the NTS within 9-12 months. The current process of adding a point into the Licence is likely to be too time consuming to fit within a shorter connection timeline and may cause undue delay to a customer's connection.

The expected growth in the number of new connection applications and Project CLoCC standard design solutions connecting customer's quicker means that the requirement to add Points is likely to be greater and required more frequently. It is therefore unlikely to be possible to group the points into one consultation as timeframes will delay customer connections. It is only possible to have one open Statutory Consultation on a part of the licence.

4.0 PROJECT CLOCC BACKGROUND

Project CLoCC was successful in securing Network Innovation Competition funding in 2015. Project CLoCC was fully mobilised in February 2016 following receipt of its Ofgem Direction in December 2015. The project aims were to minimise the time and cost of making connections to the National Transmission System. The core objectives being to reduce the cost of a connection to less than £1M and the timeframe of making a connection to less than 12 months.

The changes delivered by Project CLoCC will facilitate the introduction of quicker connections to the NTS. National Grid will be able to offer Standard Design Connections and a quicker route through the PARCA application process for the reservation of capacity, where possible.

5.0 PROPOSED CHANGE

5.1 Overview

National Grid propose a change to the process for recording a new point to remove the potential blocker of the Licence statutory consultation process.

We have focused on a solution which driven by the delivery of Project CLoCC and the adding of new points. UNC Modifications 0628s and 0629s relate with an implementation date of 30th October 2018.

The solution that National Grid is proposing is to have a separate table which sits outside of the licence for any new points with a Baseline Capacity of zero.

These points initially attract no revenue drivers for National Grid and therefore there is no requirement for them to be recorded in the licence. This would be the case until a firm capacity obligation is associated that would result in a non-zero baseline.

The current process for adding points to the Licence is unnecessarily time consuming and not the most efficient way of achieving the objective of maintaining a list of Entry/Exit connections to the NTS particularly for sites where there is zero baseline capacity and therefore no revenue driver.

The objective is to improve the connections process for sites with Zero Baseline and have a quicker more efficient process.

5.2 Principles of Proposal

- The recommendation is to retain the current tables that are in the GT NTS Licence Special Condition 5F & 5G.
- Reference to be added to Licence to the table sitting outside of the Licence for points with zero baseline capacity and National Grid maintaining these tables.
- For Obligated Capacity where a positive baseline number is required, Revenue Drivers will still need to be agreed through Licence consultation and added to the GT NTS Licence tables.
- For new entry/exit points with zero baseline capacity to be added to a table which sits outside of the Licence and is maintained by National Grid. No revenue driver is associated.

- All points are treated equally.
- To retain the appropriate governance in the updating of the Exit/Entry Capacity Release Methodology on the maintaining of the tables.
- Following initial discussion with Ofgem it is not considered that Industry Consultation or Ofgem approval is required on the adding of new points with zero baseline. Ofgem would have ability to Veto and Industry would be kept informed.
- The only consultation required for all Points is pursuant to Article 18(4) of the EU Gas Regulation to determine relevant points which can continue provided that National Grid continue to provide Ofgem with the relevant information. This is not on the critical path for the release of capacity as UNC specifies the publication requirements for capacity that go beyond the EU regulation and apply to all points.

5.3 Proposed process

The new process proposed would be as follows:

- National Grid advises Ofgem of a potential new point(s) with zero baseline capacity by sending a letter to Ofgem to include all information required to also carry out EU Regulation consultation (as now, no change).
- Ofgem have 28 days to veto.
- After 28 days, if no objection by Ofgem, National Grid updates the Entry/Exit zero baseline table in Report – proposal to use existing Long Term Summary Report (Entry/Exit) with added Table for New Entry/Exit points with zero baseline.
 - These are published on the National Grid Website and are used already by Industry:
 - Entry Capacity - <http://mip-prod-web.azurewebsites.net/EntryCapacityAuctions/Index>
 - Exit Capacity - <http://mip-prod-web.azurewebsites.net/ExitCapacityPublication/Index>

Note: Publication Type: Long Term Summary Report,
Report Type: Summary Report.

- Reports to be made user friendly and transparent with added instructions and guidance for users.
- National Grid to inform Industry and Ofgem of updated report
 - To include in the notice how to access the table.
 - The consultation required under EU regulation for all points on determining relevant points can continue by Ofgem and be triggered by National Grid informing Ofgem of requirement for report update for a new point.
- National Grid to publish the updated table within the Long Term Summary Report.

6.0 IMPLEMENTATION TIMESCALES

The estimated timeline for implementation of the proposed changes are as follows. These are subject to Ofgem Statutory Licence Consultation being carried out.

Issue Informal Consultation Document	3 rd December 2018
Informal Consultation Closed	7 th January 2019
Response Review/ results shared with Ofgem	January 2019
Ofgem Consultations and decision*	~January – May 2019
Implementation*	~June 2019

*estimated timescales for activities conducted by Ofgem.

7.0 RESPONSES

Please complete and submit any responses using the response proforma document (*Appendix 2*) no later than 17:00 hrs 7th January 2019, to Nicola Lond, Commercial Lead, Project CLoCC Nicola.j.lond@nationalgrid.com, we welcome any responses ahead of this date.

If you have any queries please contact Nicola Lond directly using the email address above or 07824 551667. Information arising from the consultation will be shared with Ofgem.

APPENDICES

- 1.0 Draft of proposed legal text amending National Grid Gas plc's Gas Transportation Licence to reflect zero licence baseline entry/exit capacity
- 2.0 Response Proforma – Attached separately

APPENDIX 1

Proposed legal text amending National Grid Gas plc's Gas Transportation Licence to reflect zero licence baseline entry/exit capacity

Amend Special Condition 1A.4 by adding the following new definitions:

Zero Licence Baseline

Capacity Entry Point

means an NTS Entry Point at which there is zero Licence Baseline Entry Capacity and which, as a result, does not give rise to any funding allowance, or revenue driver.

Zero Licence Baseline

Capacity Exit Point

means an NTS Exit Point at which there is zero Licence Baseline Exit Capacity and which, as a result, does not give rise to any funding allowance, or revenue driver.

Zero Licence Baseline

Entry Capacity Table

means a table called the "Zero Licence Baseline Entry Capacity Table" contained in a document called the "Long Term Summary Report" which is published by the Licensee on its website.

Zero Licence Baseline

Exit Capacity Table

means a table called the "Zero Licence Baseline Exit Capacity Table" contained in a document called the "Long Term Summary Report" which is published by the Licensee on its website.

Amend Special Condition 5F.1 by adding a new paragraph 5F.1(d) as follows:

5F.1(d) the process by which Zero Licence Baseline Capacity Entry Points may be created for Gas Days after [add a date not earlier than the date on which the licence amendment making this change will become effective] 2019.

Delete the first paragraph of Special Condition 5F.27 and replace it with the following:

5F.27

- (A) (a) Table 4A below sets out Licence Baseline Entry Capacity for Gas Days prior to 1 November 2015 (or such other date as the Authority may direct in writing),
- (b) Table 4B below sets out Licence Baseline Entry Capacity for Gas Days from 1 November 2015 (or such other date as the Authority may direct in writing),
- (c) The Zero Licence Baseline Exit Capacity Table sets out a list of any Zero Licence Baseline Capacity Entry Points created for Gas Days from [add a date not earlier than the date on which the licence amendment making this change will become effective] 2019.

- (B) The Licensee shall inform the Authority of its intention to create a new Zero Licence Baseline Capacity Entry Point, not less than three months before the date on which the Licensee anticipates it may make capacity available at the new Zero Licence Baseline Capacity Entry Point.
- (C) If the Authority does not inform the Licensee that it objects to the creation of this new Zero Licence Baseline Capacity Entry Point within 28 days of receiving the Licensee's notice of the Licensee's intention to create it, the Licensee will record the existence of the new Zero Licence Baseline Capacity Entry Point in the Zero Licence Baseline Entry Capacity Table.
- (D) The following shall apply in relation to the tables in (A) above:
 - (a) Any new Zero Licence Baseline Capacity Entry Point shall not be recorded in Table 4B below,
 - (b) Any new Zero Licence Baseline Capacity Entry Point shall be removed from the Zero Licence Baseline Entry Capacity Table if Licence Baseline Entry Capacity is created at the NTS Entry Point by virtue of an amendment to this licence,
 - (c) Any NTS Entry Point at which there is zero Licence Baseline Entry Capacity listed in Table 4A or Table 4B below before *[add a date not earlier than the date on which the licence amendment making this change will become effective]*, shall not be removed from Table 4A or Table 4B below, or transferred to the Zero Licence Baseline Entry Capacity Table because of the creation of the Zero Licence Baseline Entry Capacity Table,
 - (d) The Licensee shall not record the creation of any new Zero Licence Baseline Capacity Entry Point in the Zero Licence Baseline Entry Capacity Table after 1 April 2021, or such later date as the Authority may direct in writing, unless the Authority directs in writing that this paragraph (d) shall not apply,
 - (e) The Licensee shall make a proposal to the Authority of how the Authority may wish to modify this licence in respect of the location the above tables, no later than 1 April 2020, or such later date as the Authority may direct in writing, unless the Authority directs in writing that this paragraph (e) shall not apply.

Amend Special Condition 5G.1 by adding a new paragraph 5G.1(d) as follows:

5G.1(d) the process by which Zero Licence Baseline Capacity Exit Points may be created for Gas Days after *[add a date not earlier than the date on which the licence amendment making this change will become effective]* 2019.

Delete Special Condition 5G.31 and replace it with the following:

5G.31

- (A) (a) Licence Baseline Exit Capacity is set out in Table 8,
- (b) The Zero Licence Baseline Exit Capacity Table sets out a list of any Zero Licence Baseline Capacity Exit Points created for Gas Days from *[add a date not earlier than*

the date on which the licence amendment making this change will become effective]
2019.

- (B) The Licensee shall inform the Authority of its intention to create a new Zero Licence Baseline Capacity Exit Point, not less than three months before the date on which the Licensee anticipates it may make capacity available at the new Zero Licence Baseline Capacity Exit Point.
- (C) If the Authority does not inform the Licensee that it objects to the creation of this new Zero Licence Baseline Capacity Exit Point within 28 days of receiving the Licensee's notice of the Licensee's intention to create it, the Licensee will record the existence of the new Zero Licence Baseline Capacity Exit Point in the Zero Licence Baseline Exit Capacity Table.
- (D) The following shall apply in relation to the tables in (A) above:
 - (a) Any new Zero Licence Baseline Capacity Exit Point shall not be recorded in Table 8 below,
 - (b) Any new Zero Licence Baseline Capacity Exit Point shall be removed from the Zero Licence Baseline Exit Capacity Table if Licence Baseline Exit Capacity is created at the NTS Exit Point by an amendment to this licence,
 - (c) Any NTS Exit Point at which there is zero Licence Baseline Exit Capacity listed in Table 8 below before [*add a date not earlier than the date on which the licence amendment making this change will become effective*], shall not be removed from Table 8 below, or transferred to the Zero Licence Baseline Exit Capacity Table because of the creation of the Zero Licence Baseline Exit Capacity Table,
 - (d) The Licensee shall not record the creation of any new Zero Licence Baseline Capacity Exit Point in the Zero Licence Baseline Exit Capacity Table after 1 April 2021, or such later date as the Authority may direct in writing, unless the Authority directs in writing that this paragraph (d) shall not apply,
 - (e) The Licensee shall make a proposal to the Authority of how the Authority may wish to modify this licence in respect of the location the above tables, no later than 1 April 2020, or such later date as the Authority may direct in writing, unless the Authority directs in writing that this paragraph (e) shall not apply.