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RWE's response to National Grid's Consultation on Updated Forecasted Contracted Capacity (FCC) Methodology to apply for Gas Year 2021/22

Dear Laura and Colin,

RWE welcomes the opportunity to respond to the National Grid consultation on the Updated FCC Methodology to apply for Gas Year 2021/22 published on 19 March 2021. We are responding on behalf of RWE Supply and Trading GmbH, RWE Generation plc and RWE Renewables GmbH (RWE). This is a non-confidential response.

RWE supports the use of the updated methodology for next Gas Year since the existing approach would be expected to result in a highly inaccurate forecast given that it uses unadjusted capacity booking levels from the previous charging regime. However, we would have liked to have seen some more indepth analysis into the capacity utilisation to develop a more informed methodology with more appropriate adjustments. Please see RWE's response to the consultation's specific questions in Annex 1 below.

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
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Annex 1: Response to the specific questions

Question 1: Do you support the use of the principles within the FCC Methodology?

We agree with the principle that where historic data is used, a larger historical dataset, with normalisation and removal of outliers, is likely to result in a more accurate forecast. However, we believe the accuracy of the methodology might be improved with more analysis and insight into the Capacity Utilisation Factors (CUFs) in order to make more appropriate adjustments. An understanding of the reasons for variability in the CUFs, rather than an attempt simply to derive a forecast that appears relatively sensible, would give much more confidence in the FCC.

We recognise that there is limited actual historic data under the new “postage stamp” regime. However, the utilisation factors derived from data collected over the last few months will have a substantial impact on the FCC. We would have liked to have seen some analysis to identify drivers that influence the CUFs for each entry and exit point type, and an attempt to show how and why booking behaviour has changed under the new regime and from month to month. This would have helped to provide insight as to whether the CUFs over this gas charging year to date are likely to be reflective or not of future bookings and if any further adjustments to the CUF might be appropriate.

For each entry and exit point, where there has been very low levels of flow during this gas charging year, but a much higher flow is forecast for next year, we agree it is not appropriate to use the CUFs from this charging year. However, overwriting the CUF with the industry average for all sites where the values are 2x or greater appears to be a very arbitrary correction. It may be appropriate to counter each correction by making an adjustment to increase all of the other CUFs of the same entry or exit point type, to reflect the fact that there will almost certainly be some entry or exit points with capacity bookings but very low flows. We would like to see an illustration or correction in the methodology to show that the overall industry average is not impacted by these adjustments.

Question 2: Do you agree that this FCC Methodology is an improvement on existing FCC Methodology which is in place currently?

We agree that this FCC Methodology is an improvement on existing FCC Methodology which is in place currently, due to the fact that it takes more historic flow data into account, and derives CUFs from the latest charging regime.