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National Grid Transmission's Consultation on Capacity Methodology Statements

Dear Steve,

Thank you for the opportunity to respond to this consultation. As an adjacent Transmission System Operator the availability of capacity in both of our systems is of utmost importance to ensure the free flow of gas from and to connected markets.

We believe it is wrong to assume 883.62 GWh/day (almost 70%) of existing Bacton ASEP IP entry capacity can be substituted away from the NGG Bacton terminal from 01/10/18. This is for the following reasons:

- Firstly, the European Capacity Allocation Mechanisms (CAM) network requires Bacton entry/exit capacity to be sold as bundled products combined with interconnector capacity. Article 6 of CAM requires the technical capacity to be maximised on each side of the interconnection point (IP). The obligated NTS Bacton IP entry capacity level of 1297.8 GWh/day appropriately matches the maximum technical capacity of both BBL and IUK's capacity.
- Secondly, given bundling obligations under CAM, reducing capacity on the NTS side would effectively sterilise capacity on the interconnector side. As both interconnectors are merchant operators, this may have a harmful impact on our future revenue prospects in the market. For IUK in particular, October 2018 coincides with the end of our initial long term contracts. There is a real risk that sterilised capacity cannot be maintained as available for GB supply. This would diminish GB's security of supply flexibility and diversity.
- Thirdly, any substitution of capacity away from the Bacton ASEP IP would be against the spirit of the European gas Security of Supply regulation. This regulation commits Member States to ensuring sufficient cross border capacity to guarantee a long term capability to meet security of supply. At a time when Rough's future technical capacity is uncertain, we do not believe it is prudent to suggest the very cross border entry point which enables significant continental storage flows into GB could have its entry capacity cut by almost 70%.

We therefore believe it is important that the approach to NTS entry capacity substitution and NTS exit capacity substitution recognises the ongoing need for maximum cross border capacity for security of supply purposes. Under this approach, we suggest interconnection point capacity is ring fenced from potential substitution.

If you have any questions about our response please do not hesitate to contact me. We look forward to seeing the final methodology statements.

Yours sincerely



Pavanjit S Dhesi
Senior Regulatory Economist