



# **Informal Consultation on Capacity Methodology Statements**

## **Conclusions Report**

**24th April 2015**

## Executive Summary

### Introduction

National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS ("the Licence") sets out obligations to develop and modify the:

- Entry Capacity Release Methodology Statement ("ECR"); and
- Exit Capacity Release Methodology Statement ("ExCR"); together, the capacity release methodology statements defined in Special Condition 9B, and
- Entry Capacity Substitution Methodology Statement ("ECS");
- Exit Capacity Substitution Methodology Statement ("ExCS"); and
- Entry Capacity Transfer & Trade Methodology Statement ("ECTT"); together, the Capacity Methodology Statements defined in Special Condition 9A.

National Grid has been working closely with industry to develop the processes for the delivery of NTS Entry / Exit Capacity at Interconnection Points to facilitate compliance with EU Regulation 984/2013 (Capacity Allocation Mechanisms) and continued compliance with Annex I to EC regulation 715/2009 (Congestion Management Procedures). This has resulted in the development and proposal of UNC Modifications:

- 0500: "EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures";
- 0501: "Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations";
- 0501A: "Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations, including capacity return option";
- 0501B: "Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations, including a restricted capacity return option";
- 0501C: "Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations, including a capped capacity return option and an aggregate overrun regime".

To facilitate the implementation of the Capacity Allocation Mechanisms Network Code, Ofgem have directed that a number of changes will be made to the Licence. Details of these changes can be found on the Ofgem website<sup>1</sup>.

On the 18<sup>th</sup> December 2014 NG NTS invited all interested parties to comment on the potential revisions to the methodology statements through an informal consultation process. Thank you for your feedback, this has assisted National Grid in the further development of the statements.

Please be aware that the statements we have informally consulted upon will be developed further, for example, as a result of the response to the informal consultation and recent developments to the aforementioned UNC Modifications. The formal consultation (as required by the Licence), is anticipated to take place only where an Authority direction with respect to the relevant UNC Modifications has been made. Once the Methodology Statements have been formally consulted upon, they will be submitted to the Authority in accordance with the timelines specified in the Licence.

This document sets out NG NTS' conclusions on the informal consultation for the potential methodology statements. It provides a summary of the representations received, NG NTS' response to those representations and an indication of whether, as a result of such representations, any changes will be made to the proposed statements which will be released for a formal consultation. The responses

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<sup>1</sup> [https://www.ofgem.gov.uk/publications-and-updates/modification-special-conditions-1a-and-5f-national-grid-gas-plc%e2%80%99s-gas-transporter-licence-facilitate-implementation-capacity-allocation-mechanisms-network-code?utm\\_medium=email&utm\\_source&utm\\_campaign=5336359\\_Daily-Alert\\_10-02-2015&utm\\_content=Modification%20of%20Special%20Conditions%201A%20and%205F%20of%20National%20Grid%20Gas%20plc%e2%80%99s%20Gas%20Transporter%20Licence%20to%20facilitate%20implementation%20of%20the%20Capacity%20Allocation%20Mechanisms%20Network%20Code&dm\\_i=1QCB,36DK7,F31GWZ,BDPL4,1](https://www.ofgem.gov.uk/publications-and-updates/modification-special-conditions-1a-and-5f-national-grid-gas-plc%e2%80%99s-gas-transporter-licence-facilitate-implementation-capacity-allocation-mechanisms-network-code?utm_medium=email&utm_source&utm_campaign=5336359_Daily-Alert_10-02-2015&utm_content=Modification%20of%20Special%20Conditions%201A%20and%205F%20of%20National%20Grid%20Gas%20plc%e2%80%99s%20Gas%20Transporter%20Licence%20to%20facilitate%20implementation%20of%20the%20Capacity%20Allocation%20Mechanisms%20Network%20Code&dm_i=1QCB,36DK7,F31GWZ,BDPL4,1)

received were not marked as confidential and can be found on National Grid's web site at: [www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/](http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/)

## Responses

Representations were received from three respondents listed below.

- National Grid Distribution           NGD
- Eni UK Limited                        ENI
- British Gas Trading                 BGT

The more substantive issues raised relate to:

- Whether it is appropriate for Entry Capacity at Interconnection Points to be considered as Substitutable capacity,
- User Commitment and the need for an industry review of these principles,
- System Flexibility and the inability for DNO's to move capacity allocations between NTS Exit Points.

Detailed comments from respondents and NG NTS' responses are provided in the following table. In order to keep this report to a manageable length, responses may have been edited. Interested parties are advised to read the full responses found on National Grid's web site at:

[www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/](http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/)

**National Grid Distribution (NGD) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>Exit Capacity Release Methodology Statement</b>					
NGD	1.1	General Comments	We note that the proposed changes relate to a number of UNC modifications raised to ensure compliance with EU Regulation 984/2013. Whilst National Grid Gas Distribution (NGD) has no concerns with these proposed changes, there are areas of concern within the Statements, in particular the requirement for User Commitment (and the associated liability) where there is likely to be no significant increase in risk or cost to National Grid Gas Transmission (UKT) whether through capital expenditure on the NTS, contractual alternatives or constraint management actions. In addition, current rules prevent Distribution Network Operators (DNOs) moving capacity allocations between NTS Exit Points (UKT does have some discretion to facilitate this, but, crucially, the DNO does not).	<p>Thank you for your support in the changes made to support the implementation of the CAM Network Code.</p> <p>User Commitment is recognised as a fundamental principle of the capacity regime and we believe any changes to User Commitment should be driven by Industry workgroup/consultation rather than by changes to the methodology statement. As such, an industry wide review with any subsequent proposals being reflected within the methodology would appear to be the most appropriate approach.</p> <p>We would be happy to partake in any industry discussion on the concerns you have raised.</p>	No changes proposed
NGD	1.2		<p><b>NTS Pricing Signals</b></p> <p>UKT issues the NTS charges annually in the Spring via the Statement of Gas Transmission Transportation Charges (and at different times of the year through adhoc changes). Changes in the way (i.e. the location) that gas supplies are input to the NTS is resulting in new charging patterns. For example, NTS Exit Points to the South of an area may have lower exit capacity charges than more Northerly NTS Exit Points. Previously, the opposite was the case. Users, and consumers, could, therefore, benefit by moving capacity bookings. However, where a User Commitment is in</p>	National Grid NTS issues Exit Capacity prices once a year, at the beginning of May to give final prices for the forthcoming Gas Year and three subsequent years of indicative prices that are ultimately entered into the GEMINI system. These are calculated in accordance with National Grid's Gas Transporter Licence and the methodology in the UNC and hence are not on an ad-hoc basis.	No changes proposed

		<p>place, rules may prevent capacity reductions. Even in the absence of a User Commitment, matching increase and decrease nominations at different NTS Exit Points could only be accepted at UKT discretion. This lack of choice to the user applies even where there would be no increased risk or cost to UKT.</p> <p>NGD recommends the amendment of the Exit Capacity Release Methodology Statement (ExCR) to allow DNOs to fully respond to the pricing signals sent out by UKT. This would lead to the creation of greater flexibility across the whole of the UK Gas Network to the benefit of Customers.</p>	<p>The issues you have raised are wider than this consultation and would require industry discussion. We believe that Methodology changes should be driven by changes to the UNC or through significant industry review where the industry have signalled a desire for such change.</p>	
NGD	1.3	<p><b>System Flexibility</b></p> <p>As mentioned above, changes have been occurring in gas supply patterns. As a consequence, NTS flexibility has been a discussion point since before the start of the RIIO-T1 period, and more recently through the Industrial Emissions Directive (IED) consultation. NGD believes that the issue of greater NTS system flexibility is not limited to the provision, modification, and operation of NTS infrastructure (mainly compressors) but also presents risks and opportunities for Users. This is further complicated by the lack of clarity in describing System Flexibility in the UNC and EXCR. We believe that minor changes to the NTS Exit Capacity regime (either the ExCR or UNC TPD Section B) would allow these risks to be managed and the opportunities taken.</p>	<p>Thank you for your comments, however it would be helpful to understand further what your issues are.</p> <p>The UNC and associated documents set out how different parties are treated in relation to varying flows. A broad review of NTS Exit (Flexibility) Capacity and its release will have wider industry consequences and therefore stakeholder interest. As such an industry wide review with any subsequent proposals being reflected within the methodology would appear to be the most appropriate approach.</p>	No changes proposed
NGD	1.4	<p><b>Regime Inconsistencies</b></p> <p>At an LDZ level, new connections are assessed on a 'first past the post basis', meaning that capacity is allocated until the final connection triggers investment. The cost is then determined for the latest connection and they may then incur a specific charge.</p> <p>At NTS level, any increase to a User's allocation of Enduring Annual NTS Exit (Flat) Capacity will trigger a User Commitment regardless of whether or not the release of Incremental Obligated</p>	<p>The 'first past the post' principle has been discussed in a number of areas with both the industry and the regulator and as a concept has not been taken forward in any proposed change.</p> <p>All capacity has a User Commitment associated to it. As part of NTS Exit Reform, discussions were held as to the appropriate number of years this should</p>	No changes proposed

			<p>Exit Capacity is required. Even where the release of Incremental Obligated Exit Capacity is required and there is no cost or risk to UKT (e.g. capacity substitution) a User Commitment is created.</p> <p>Although we accepted the justification for universal application of User Commitment at the time of “Exit Reform”, we believe that a review of the User Commitment rules is now appropriate and changes are necessary.</p> <p>For clarity, we are questioning the circumstances under which a User Commitment will or will not apply and where applicable, what is an appropriate length of commitment.</p>	<p>be for and four years was considered to be the equivalent to the Entry Regime but without the associated auction structures/complexity. The User Commitment value for Enduring Annual NTS Exit (Flat) Capacity enables us to take more efficient investment decisions as it gives National Grid NTS a stable basis for network analysis.</p> <p>We would be happy to partake in any industry discussion on the concerns you have raised.</p>	
NGD	1.5		<p><b>Customer Benefit</b></p> <p>User Commitment can, in some cases, lead to the sterilisation of capacity which ultimately, the Customer will pay for. We feel that where this is unnecessary, the relevant DNO (who purchases capacity on behalf of the Customer) should not be held to the four year commitment, but instead should be free to flex their requirements, resulting in a positive or neutral outcome for all parties concerned from the NTS all the way through to the Customer.</p> <p>In those instances where, as a result of the capacity increase request, the release of Incremental Obligated Exit Capacity is required, Exit Capacity Substitution will be considered. NGD proposes that discussions are held with the relevant parties giving them the opportunity to put forward reductions at viable sites. Adopting this approach would help to maintain balance both on the NTS and for the downstream parties.</p>	<p>This has wider implications than to this consultation on the Capacity and Capacity Release Methodology Statements. We don’t believe it would be appropriate to make such changes through this consultation however were you to bring this as an issue to the Transmission workgroup for industry discussion National Grid NTS would fully participate in any debate.</p>	No changes proposed
NGD	1.6	General comments	<p>NGD would like to facilitate the development of a regime where the movement of capacity is enhanced and encouraged. We are not looking to lock in capacity (to effectively sterilise it), but would seek to ensure the overall balance is maintained through appropriate efficient Increases and Reductions to Enduring Annual NTS Exit (Flat) Capacity allocations.</p>	<p>National Grid NTS are happy to work with the industry on these issues but believe it is unlikely that the UNC consultation and industry discussions that would be required would be completed in time to be included in the</p>	No changes proposed

			To minimise the need for multiple reviews and consultations, NGD would like to take the opportunity to work with UKT and other industry parties to carry out a prompt review of the User Commitment (and related capacity reduction) rules. Any potential changes to the ExCR (and, if necessary, the UNC) can then be proposed alongside the formal consultation needed to introduce the proposed European changes.	formal consultation process for the “EU” Methodology Statements. However, we look forward to the issue being discussed at the Transmission Workgroup.	

**Eni UK Limited (ENI) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>All Methodology Statements</b>					
ENI	1.1		<b>Entry Capacity products are different at the two Bacton ASEPs and so frustrate comparable economic signals for substitution consideration.</b> For substitution analysis to be properly undertaken it is difficult to see how an economic comparison can be made between bids for future capacity at the UKCS ASEP with those at the IP ASEP when the products offered in competing auctions or through the PARCA process are necessarily different. QSEC Auctions and PARCA at the UKCS ASEP allow bids for quarterly capacity over many future years whilst CAM compliant IP Auctions can only be for annual capacity for years beyond the year ahead and potentially are only for a bundled product. For example, if a PARCA application is made at the UKCS ASEP for winter quarters over a number of years ahead to support a potential storage project what price would then be appropriate in the IP Annual Auction to hold onto the annual strip of capacity whilst ensuring fair competition for entry capacity?	There is no economic comparison as part of substitution analysis; ASEPs are considered in order of most favourable to least favourable exchange rate in order to achieve the most efficient outcome. The exchange rate represents the amount by which the firm entry capacity at a “Donor” ASEP would need to be reduced so as to provide one additional unit of firm entry capacity at a “Recipient” ASEP.  Capacity will only be considered available for substitution after all qualifying bids for existing capacity have been satisfied, i.e. capacity will be allocated at the ASEP where bids are placed before being substituted to another ASEP.  Capacity charges for both the GB and	No changes proposed

				<p>CAM auctions will be calculated in the same way since ultimately we calculate a daily reserve price that can then be applied. Hence the reserve price will always be fair either at an IP ASEP or any other ASEP as it will be calculated using the same underlying methodology, i.e. in accordance with the UNC. The subsequent process of determining the paid price will be subject to the rules of the relevant auction.</p>	
ENI	1.2	<p><b>A further protection from substitution for the IP ASEP?</b>          Notwithstanding the above, Para 25 (v6.1) of The Entry Capacity Substitution Methodology Statement states that <i>'For the avoidance of doubt in the event that an incremental signal is received and substitution analysis is undertaken prior to the completion of the Annual Yearly auction for an IP ASEP, capacity at that IP ASEP will not be considered as available for substitution'</i>. This lack of certainty on timing and its effect on whether capacity is considered as available for substitution or not is unacceptable as a methodology. Increased clarity is required to ensure substitution is allowed from IP ASEPs or it is not. If it is to be allowed then the PARCA process will need to be consistent with the Annual Yearly auction process at the IP ASEP. This necessarily results in the PARCA substitution analysis becoming an annual process timed to coincide with the annual QSECs and Annual Yearly auctions, thereby making redundant the requirement to run ad-hoc QSECs.</p>	<p>There will be no substitution of capacity to satisfy either a PARCA request or an auction bid when an existing auction (either a QSEC or Annual Yearly Auction) for the capacity at the potential donor location is open or about to open. In the event that an incremental signal is received when there is no auction open for the donor location then the substitution of unsold capacity would still be considered.</p> <p>Since the QSEC Auction and Annual Yearly auction both begin in March, there is a possibility that a QSEC bid could trigger substitution analysis prior to the closure of the Annual Yearly Auction. Paragraph 25 aims to clarify that where this is the case substitution will not be considered from the relevant Interconnection point while the auction is open, in accordance with the current ECS principles.</p> <p>Following the acceptance of a competent PARCA application, National Grid will publish information and open</p>	No changes proposed	

				an Ad-hoc QSEC auction to make available Unsold NTS Entry Capacity only. Whilst the Ad-hoc QSEC auction will not include IP ASEPs there is the option to use Capacity Retainers, which allow a User to exclude entry capacity at potential donor ASEPs from being treated as Substitutable Capacity.	
ENI	1.3		<p><b>Further considerations</b></p> <p>Under the Licence change to split the Bacton ASEP, the Interconnector assets and their users have been assigned their own 'asset specific' ASEP, precisely sized to match the technical capacities of the Interconnectors without any price signal or revenue commitment being received. This is at odds with the User Commitment Framework and gives the Interconnector assets and their users little or no incentive to book long term entry capacity as the only threat to their precise capacity needs is the possibility of the thresholds for substitution being overcome in the medium term. The position is further strengthened through an ability to protect capacity from substitution through low cost capacity retention at the IP ASEP and the comfort that were the threat of a PARCA at a competing ASEP to be confirmed then there would be the opportunity to respond and secure capacity at the next auction before the threatened substitution could be effected. This fundamental change to the competitive landscape for entry capacity at Bacton undermines the value of the current long term entry product at the Bacton ASEP and prompted eni to raise alternative UNC Modification 0501C with the aim of delivering a balanced solution in response.</p>	<p>EU Regulations aim to maximise the bundling of capacity at Interconnection Points and set baselines accordingly. If this baseline is not utilised then it is considered substitutable, in effect this is the same as any other ASEP with a baseline.</p> <p>A retainer can be taken out at any ASEP during the Retainer Window which is open 2 months prior to the month of the QSEC and Annual Yearly Auction each year. The retainer price for each unit of Entry Capacity is the same for each ASEP. There is an opportunity to retain capacity and to partake in capacity processes at both the UKCS ASEP and the IP ASEP.</p>	No changes proposed
ENI	1.4		The competitive imbalance is further weighted towards the Interconnectors and their users as 20% of the new IP ASEP's Obligated Capacity is withheld from the potential substitutable capacity for offer in shorter term auctions under CAM, whereas the equivalent protection is only 10% at the UKCS ASEP. This relative difference in competitive threat and availability will drive relative capacity value differences and result in price signals for long term capacity at the two ASEPS that are not simply	We recognise that there is a difference between the capacity withheld at the UKCS ASEP and the IP ASEP. The 10% level withheld at the UKCS ASEP was originally set in National Grid's Gas Transporter Licence and is now reflected only in the methodology statements. The 20% level withheld at the IP ASEP is set out within the CAM	No changes proposed

			comparable in any substitution analysis.	Network Code and our scope to amend the EU level is very limited, however we are happy to review the GB arrangements in discussion with the industry if there is a desire to do so.	
ENI	1.5		Even after National Grid analysis suggests that substitution is the efficient solution, Ofgem holds a veto right. Given the importance of the Interconnectors to the UK's Security of Supply Strategy it is conceivable that DECC and Ofgem may choose to safeguard Interconnector capacity. Actually a possible ad-hoc veto right for Ofgem is already provided for in NCG's Entry Capacity Substitution Methodology Statement Submitted to Authority in the event that the application of the substitution <i>"may reasonably put National Grid in breach of its obligations with respect to EU Regulations (in particular the obligation to offer bundled capacity at Interconnection Points as required by the Capacity Allocation Mechanisms"</i> (Paragraph 89 of ECS v5.3 and v6.1).	Paragraph 89 of the ECS v5.3 and v6.1 does not introduce an ad-hoc veto right for Ofgem with respect to substitution proposals; it refers to Ofgem's existing rights under Special Condition 5F of the Licence to direct that substitution proposals submitted in the Entry Capacity Notice should not be made.	No changes proposed
ENI	1.6		Exit capacity at the IP ASEP is protected from substitution and therefore it would seem equitable that entry capacity should be treated similarly. In a country which is becoming ever more reliant on gas imports it does not seem appropriate nor sensible to construct a methodology which favours import capacity potential reduction in relation to export capacity. A reduced potential to import gas relative to export can only raise consumer prices above those levels they otherwise would be.	We have previously received different views on this matter; therefore we feel it is appropriate to not amend the Entry Capacity substitution process and that is right to discuss any potential IP ASEP substitution with the Ofgem.	No changes proposed
ENI	1.7		We would encourage National Grid and Ofgem, together with industry, to debate these issues. A potential simple solution, justifiable from a security of supply and price standpoint, and for equal treatment with the Exit regime and for the proposed Transfer and Trade methodology, which explicitly prohibits capacity transfers to or from the IP ASEP, would be to stipulate that entry capacity cannot be substituted away from the IP ASEP. The challenges raised in this response are then resolved, the advantaged and secured positions of the Interconnectors, promoted by European CAM, are positively confirmed and the appropriate modification to effect the Bacton split becomes 0501A rather than 0501C, allowing industry to move forward simply, in full recognition of the new world for entry capacity at Bacton.	Transfer & Trade processes are excluded from IP ASEPs because the IPs cannot be included in the RMTnTSEC auction process that facilitates this since capacity is offered in different Auction processes held at different times, and the cross over in timings between IP and non-IP auctions prevents it. Also, it is not possible to mesh together the separate surrender processes for IPs and UK domestic points and move sold capacity to/from IP locations.	No changes proposed

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**British Gas Trading (BGT) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>1 – Exit Capacity Release Methodology Statement</b>					
BGT	1.1	Para 15	It would be useful for National Grid to remind users of this end-date condition in the annual application (non-IPs)/ auction (for IPs) invitation letters.	Agree, we will look to include this in each invitation letter until the end of the transitional period.	No changes proposed
BGT	1.2	Para 178	This appears to have been copied from the ECR but not amended to say “to offtake gas from the NTS at an Exit Point” instead of saying “to deliver gas into the NTS at an Exit IP”	Agree	Paragraph 178:  “These IP auctions make available daily capacity (i.e. a daily right to <del>deliver</del> <del>offtake</del> gas <del>into from</del> the NTS at an Exit IP on a particular Gas Flow Day) in yearly, quarterly, monthly and single daily strips. In respect of day-ahead auctions only, capacity may be available as either <b>Firm Interconnection Point Capacity</b> and/or as <b>Interruptible Interconnection Point Capacity.</b> ”
BGT	1.3	Para 179	Similar comment applies to the second bullet point as for para 178 (currently treating Exit IPs as entry points)	Agree	Paragraph 179, second bullet:  “ensure that prices are cost reflective. Exit IPs that are further away from demand centres tend to have higher reserve prices. <del>Similarly, as gas input at larger Exit IPs penetrates further into the system the prices for these Exit IPs will generally be higher.</del> ”
BGT	1.4	Para 181 & 182 (and elsewhere)	References to “interconnected system” capacity might be better expressed in terms of “an adjacent TSO’s” interconnection point capacity.	Agree	Paragraph 181:  “ <b>Firm Interconnection Point Capacity</b> may be made available as either: (a) <b>Bundled Interconnection Point Capacity</b> , consisting of

					<p><b>NTS Exit Capacity</b> allocated in combination with <u>an adjacent TSO's interconnection point</u> entry capacity <del>at an interconnected system</del> for an equal quantity and duration; or</p> <p>(b) <b>Unbundled Interconnection Point Capacity</b>, consisting of <b>NTS Exit Capacity</b> only.”</p> <p>Paragraph 182:</p> <p>“In any auction of <b>Firm Interconnection Point Capacity</b>, the quantity of capacity that shall be designated as Bundled shall be the lesser of:</p> <p>(a) the total quantity of <b>Firm Interconnection Point Capacity</b> which is available for allocation in that auction (subject to paragraphs 189 to 194 and Chapter 12 paragraph 201); and</p> <p>(b) the total quantity of <del>interconnected system</del> entry capacity <u>at an adjacent TSO's interconnection point that is</u> available for allocation in that auction or, where there are two adjacent <u>TSO's transporters</u> in the interconnected system, the sum of the entry capacities available for allocation in that auction for both adjacent <u>TSO's transporter Interconnection Points</u>.”</p>
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BGT	1.5	Para 183	<p>We are struggling to understand how the “maximum allowed quantity” is being derived and the rationale for this. It would be helpful to set this out in more detail, with a rationale, and for examples to be provided</p>	<p>Agree; this shall be reworded to clarify.</p> <p>The intention of the Maximum Allowed Quantity of Unbundled Capacity in the Annual Yearly Auction is to maximise the potential for future bundling of capacity.</p> <ul style="list-style-type: none"> <li>• <u>For Gas Year Y+1</u>: All available capacity that has not been designated as bundled capacity will be made available as unbundled capacity. Such available capacity that exceeds the adjacent TSOs Technical Capacity level is only available for the first year of the Annual Yearly Auction to ensure that it will still be available in future to create a bundled product in the event that the other TSO’s Technical Capacity level increases.</li> <li>• <u>For Gas Year Y+2 onwards</u>: where an adjacent TSO has sold more Entry Interconnection Point Capacity for a Gas Year than the equivalent level of sold NTS Exit Capacity, a quantity of Technical Interconnection Point Capacity may be made available as Unbundled in order to match the levels of sold Interconnection Point Capacity (since it cannot be bundled unless it is available on both sides).</li> </ul>	<p>Paragraph 183 (<i>please note that this is an initial redraft, it will be reviewed again prior to publication of the formal consultation and a diagram will be included</i>):</p> <p>“Where there is available <b>Firm Interconnection Point Capacity</b> in excess of the bundled quantity it will be made available as <b>Unbundled Interconnection Point Capacity</b> subject to the maximum allowed quantity. The maximum allowed quantity of <b>Unbundled Interconnection Point Capacity</b> that will be made available at an Exit IP in the Annual Yearly Auction (<del>held in Gas Year Y</del>) will be: <del>for any Gas Year other than Y+1 shall be the amount by which the unbundled interconnected system entry capacity allocated to Users at any adjacent transport Interconnection Point<sup>2</sup> for the Gas Year exceeds the greatest amount of Unbundled Interconnection Point Capacity sold at the relevant Exit IP.</del></p> <ul style="list-style-type: none"> <li>• For Gas Year Y+1: <ul style="list-style-type: none"> <li>○ All Unsold Technical Interconnection Point Capacity that is available throughout the Gas Year and has not been designated as bundled</li> </ul> </li> <li>• For Gas Year Y+2 onwards, either: <ul style="list-style-type: none"> <li>○ the amount by which the smallest quantity of</li> </ul> </li> </ul>
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<sup>2</sup> For the avoidance of doubt where there are two adjacent Transporter IPs, the sum of the unbundled interconnected system entry capacity allocated to Users at both adjacent Interconnection Points will be considered.

					<p>unbundled interconnected system entry capacity allocated to Users at any adjacent transporter Interconnection Point<sup>3</sup> within the relevant Gas Year exceeds the greatest amount of <b>Unbundled Interconnection Point Capacity</b> sold at the relevant Exit IP for the Gas Year; or</p> <ul style="list-style-type: none"> <li>○ 0, if the quantity of <b>Unbundled Interconnection Point Capacity</b> sold at the adjacent Interconnection Point for the Gas Year is less than or equal to the quantity sold at the relevant Exit IP.”</li> </ul>
BGT	1.6	Para 186	It may be worth qualifying this paragraph by starting it with “Subject to paragraph 188 and 189”.	Agree	<p>Paragraph 186:</p> <p>“<u>Subject to paragraph 188 and 189, the</u> maximum quantity of capacity to be made available in any auction process will be the <b>Obligated Exit Capacity</b>. The <b>Obligated Exit Capacity</b> is stated for each NTS Exit Point (including IP NTS Exit Points), for each month (or quarter) (on a forward looking basis) in the obligation summary report. The obligation summary report is provided within the Long-Term Summary report</p>

<sup>3</sup> For the avoidance of doubt where there are two adjacent Transporter IPs, the sum of the unbundled interconnected system entry capacity allocated to Users at both adjacent Interconnection Points will be considered.

					which will be placed on National Grid's website at: <a href="http://marketinformation.natgrid.co.uk/Gas/ExitCapacityReports.aspx">http://marketinformation.natgrid.co.uk/Gas/ExitCapacityReports.aspx</a> .”
BGT	1.7	Para 198	Could the restriction stated in the second sentence (“The withdrawal offer quantity will be subject to...” ) potentially give rise to non-compliance the Authority’s direction?	The principle that capacity subject to a surrender offer is not counted as held by the User is included in Modification 0500 (3.6-4) and the associated legal text (EID B8.3.3-4). National Grid NTS provides utilisation information to the Authority prior to them issuing a withdrawal direction. If there are any changes to the data provided (i.e. a Surrender offer) National Grid NTS would discuss this with the Authority before submitting a withdrawal offer on behalf of the relevant User.	Paragraph 198:  “Where a written direction has been received from the Authority, National Grid NTS will submit a withdrawal offer on behalf of the relevant Shipper User for the duration specified. The withdrawal offer quantity will be subject to the Shipper User having a sufficient Available Firm Interconnection Point Capacity after taking account of any existing Surrender or withdrawal offers that can be re-allocated.”

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>2 – Exit Capacity Substitution Methodology Statement</b>					
BGT	2.1	Footnote 5	The 2 points being made in this footnote are important and should be stated in the main body of the document.	Agree.	Footnote 5 will be moved into the main text of paragraph 4.
BGT	2.2	Para 22m	This rule should be debated and reviewed by industry participants. It could be value-destroying in the event that some or all of an adjacent TSO’s entry capacity becomes sterilised.	We have had differing views on this issue but we are happy to partake in industry discussions on this matter.	

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>3 – Entry Capacity Release Methodology Statement</b>					
BGT	3.1	Chapter Headings	Suggest the document more clearly states whether IPs or non-IPs are being addressed. For example, footnote number 20 is used on page 19 for this purpose whereas it would be better to make such distinction in section/ chapter headings.	Agree; the chapter headings will be reviewed. Footnotes are likely to still be needed in the event that the methodology becomes effective prior to the CAM network code being implemented as the ‘non-IP’ chapters would still need to apply to IPs (i.e. Bacton ASEP) during that interim period.	Chapter headings to be reviewed
BGT	3.2	Paras 73 & 208	It would be useful to have a separate industry debate on whether capacity should be withheld in the event that National Grid believes this could avert or minimise a capacity constraint.	This has been discussed at the Transmission Workgroup (please see Action TR0101). Once the EU methodology changes are complete, National Grid NTS may look to simplify and reduce complexities in this area; it may be that capacity release in constraints can be addressed when this is being reviewed	No changes proposed
BGT	3.3	Paras 194 & 195 (and elsewhere)	References to “interconnected system” capacity might be better expressed in terms of “an adjacent TSO’s” interconnection point capacity.	Agree	<p>Paragraph 194:</p> <p>“<b>Firm Interconnection Point Capacity</b> may be made available as either:</p> <p>(a) <b>Bundled Interconnection Point Capacity</b>, consisting of <b>NTS Entry Capacity</b> allocated in combination with <b>an adjacent TSO’s Interconnection Point exit capacity</b> <del>exit capacity from an interconnected system</del> for an equal quantity and duration; or</p> <p>(b) <b>Unbundled Interconnection Point Capacity</b>, consisting of <b>NTS Entry Capacity</b> only.”</p> <p>Paragraph 195:</p> <p>“In any auction of <b>Firm Interconnection</b></p>

					<p><b>Point Capacity</b>, the quantity of capacity that shall be designated as Bundled shall be the lesser of:</p> <ul style="list-style-type: none"> <li>(a) the total quantity of <b>Firm Interconnection Point Capacity</b> which is available for allocation in that auction (subject to paragraphs 202 to 207 and Chapter 12 paragraph 216); and</li> <li>(b) the total quantity of <del>interconnected-system</del> <b>Interconnection Point Exit Capacity at an adjacent TSO</b> available for allocation in that auction or, where there are two adjacent transporters in the interconnected system, the sum of the exit capacities available for allocation in that auction for both adjacent transporter Interconnection Points.”</li> </ul>
BGT	3.4	Para 196	<p>We are struggling to understand how the “maximum allowed quantity” is being derived and the rationale for this. It would be helpful to set this out in more detail, with a rationale, and for examples to be provided.</p>	<p>Agree; this shall be reworded to clarify.</p> <p>The intention of the Maximum Allowed Quantity of Unbundled Capacity in the Annual Yearly Auction is to maximise the potential for future bundling of capacity.</p> <ul style="list-style-type: none"> <li>• <u>For Gas Year Y+1</u>: All available capacity that has not been designated as bundled capacity will be made available as unbundled capacity. Such available capacity that exceeds the adjacent TSOs Technical Capacity level is only available for the first year of the Annual Yearly Auction to ensure that it</li> </ul>	<p>Paragraph 196(<i>please note that this is an initial redraft, it will be reviewed again prior to publication of the formal consultation and a diagram will be included</i>)::</p> <p>“Where there is available <b>Firm Interconnection Point Capacity</b> in excess of the bundled quantity it will be made available as <b>Unbundled Interconnection Point Capacity</b> subject to the maximum allowed quantity. The maximum allowed quantity of <b>Unbundled Interconnection Point Capacity</b> that will be made available at an IP ASEP in the Annual Yearly Auction (<del>held in Gas Year Y</del>) will be: <del>for any Gas</del></p>

				<p>will still be available in future to create a bundled product in the event that the other TSO's Technical Capacity level increases.</p> <ul style="list-style-type: none"> <li>• <u>For Gas Year Y+2 onwards:</u> where an adjacent TSO has sold more Exit Interconnection Point Capacity for a Gas Year than the equivalent level of sold NTS Entry Capacity, a quantity of Technical Interconnection Point Capacity may be made available as Unbundled in order to match the levels of sold Interconnection Point Capacity (since it cannot be bundled unless it is available on both sides).</li> </ul>	<p><del>Year other than Y+1 shall be the amount by which the unbundled interconnected system exit capacity allocated to Users at any adjacent transport Interconnection Point<sup>4</sup> for the Gas Year exceeds the greatest amount of <b>Unbundled Interconnection Point Capacity</b> sold at the relevant IP ASEP.</del></p> <ul style="list-style-type: none"> <li>• For Gas Year Y+1:             <ul style="list-style-type: none"> <li>○ All Unsold Technical Interconnection Point Capacity that is available throughout the Gas Year and has not been designated as bundled</li> </ul> </li> <li>• For Gas Year Y+2 onwards, either:             <ul style="list-style-type: none"> <li>○ the amount by which the smallest quantity of unbundled interconnected system exit capacity allocated to Users at any adjacent transport Interconnection Point<sup>5</sup> for within the relevant Gas Year exceeds the greatest amount of <b>Unbundled Interconnection Point Capacity</b> sold at the relevant IP ASEP for the Gas Year; or</li> </ul> </li> </ul> <p>0, if the quantity of <b>Unbundled</b></p>
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<sup>4</sup> For the avoidance of doubt where there are two adjacent Transporter IPs, the sum of the unbundled interconnected system exit capacity allocated to Users at both adjacent Interconnection Points will be considered.

<sup>5</sup> For the avoidance of doubt where there are two adjacent Transporter IPs, the sum of the unbundled interconnected system entry capacity allocated to Users at both adjacent Interconnection Points will be considered.

					<b>Interconnection Point Capacity</b> sold at the adjacent Interconnection Point for the Gas Year is less than or equal to the quantity sold at the relevant IP ASEP.”
BGT	3.5	Para 199	It may be worth qualifying this paragraph by starting it with “Subject to paragraph 201 and 202”.	Agree	Paragraph 199:  “Subject to paragraphs 201 and 202, the <del>The</del> maximum quantity of capacity to be made available in any auction process will be the <b>Obligated Entry Capacity</b> . The <b>Obligated Entry Capacity</b> is stated for each ASEP (including IP ASEPs), for each month (or quarter) (on a forward looking basis) in the obligation summary report. The obligation summary report is provided within the Long-Term Summary report (details can be found paragraphs 57 to 64).”
BGT	3.6	Para 213	Could the restriction stated in the second sentence (“The withdrawal offer quantity will be subject to...”) potentially give rise to non-compliance the Authority’s direction?	The principle that capacity subject to a surrender offer is not counted as held by the User is included in Modification 0500 (3.6-4) and the associated legal text (EID B8.3.3-4). National Grid NTS provides utilisation information to the Authority prior to them issuing a withdrawal direction. If there are any changes to the data provided (i.e. a Surrender offer) National Grid NTS would discuss this with the Authority before submitting a withdrawal offer on behalf of the relevant User.	Paragraph 213:  “Where a written direction has been received from the Authority, National Grid NTS will submit a withdrawal offer on behalf of the relevant Shipper User for the duration specified. The withdrawal offer quantity will be subject to the Shipper User having a sufficient Available Firm Interconnection Point Capacity after taking account of any existing Surrender or withdrawal offers that can be re-allocated.”

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>4 – Entry Capacity Substitution Methodology Statement</b>					
BGT	4.1	Footnote 5	The 2 points being made in this footnote are important and should be stated in the main body of the document. Might capacity retainer rules need to be reviewed in respect of incremental capacity rules at IPs?	Agree; the text in footnote 5 will be moved into the main body of the document.  National Grid welcomes your thoughts in relation to the rules surrounding the retainer process and would be happy to partake in any industry discussion on this matter.	Footnote 5 will be moved into the main text of paragraph 4.
BGT	4.2	Para 22b	Withheld capacity is not just for Annual Quarterly Auctions (as stated in this new paragraph). It would be better to refer to this as withheld capacity and to write this paragraph in a similar way to para 202 of the ECR with the additional point that such capacity will not be substitutable.	Agree	Paragraph 22b:  “Capacity that is <del>withheld from not offered for release in</del> the Annual Yearly auctions <sup>6</sup> , <del>i.e. capacity that is held back for Annual Quarterly Auctions</del> will not be available for substitution between ASEPs. Currently this is: <ul style="list-style-type: none"> <li>• 10% of <b>Technical Interconnection Point Capacity</b> at each IP ASEP with respect to <b>Yearly Interconnection Point Capacity</b> for gas years Y+1 to Y+5 and</li> <li>• 20% for <b>Yearly Interconnection Point Capacity</b> for gas years Y+6 to Y+15.</li> </ul> Hence the Substitutable Capacity at an IP ASEP will be equal to 80% of the <b>Technical Interconnection Point Capacity</b> subject to the following adjustments, c) to k).”

<sup>6</sup> The Annual Yearly Auctions and Annual Quarterly Auctions are applicable at Interconnection Points only.

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>4 – Entry Capacity Transfer &amp; Trade Methodology Statement</b>					
BGT	5.1		No Comments		No changes proposed