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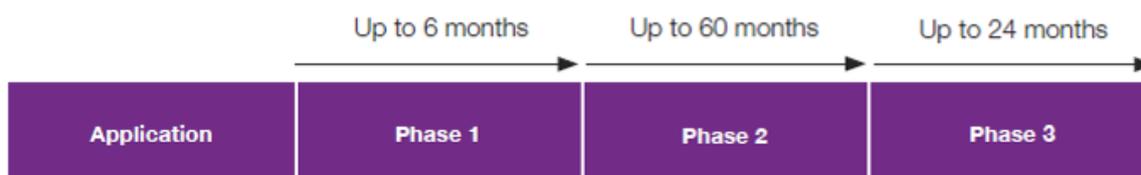
Dear Industry Colleagues,

Barrow PARCA Entry Capacity Substitution Informal Notice

National Grid Gas plc ("National Grid") received a competent Planning and Advanced Reservation of Capacity Agreement (PARCA) application on 18th August, 2015. The application requested Firm Quarterly System Entry Capacity¹ in excess of the prevailing **obligated** capacity level at the Barrow NTS ASEP. The application requested:

- 172,158,333 kWh/d at Barrow ASEP on 1st April, 2019 (first gas date)

The PARCA application triggered Phase 1 of the PARCA process.



As part of the Phase 1 works, National Grid completed network analysis to identify the most appropriate and robust solution to accommodate the Entry capacity being requested. The Phase 1 process identified that the Entry capacity request could be met by;

- reserving unsold entry capacity at Barrow from 1st April, 2019 to 31st December, 2020 and,
- a combination of;
 - reserving unsold entry capacity at the Barrow ASEP
 - releasing **non-obligated** capacity at the Barrow ASEP
 - reserving capacity at the Barrow ASEP via substitution of unsold capacity from the Teesside ASEP

¹ Please note that this notice contains terminology relating to **Entry** Capacity which is used in the Licence and in the Uniform Network Code ("UNC"). Licence defined capacity terms are given in **bold italics**.

...from 1st January, 2021.

It is estimated that the Entry capacity will be available for reservation from 1st March, 2016.

The Entry capacity must be allocated to a nominated User by 1st April, 2017. Substitutable capacity is subject to capacity being allocated to a nominated User. The capacity will be registered, as requested, from 1st April, 2019. The developer will identify a Shipper User prior to allocation.

This informal notice signifies the end of PARCA Phase 1 and is the first opportunity for industry parties to raise any concerns around the method to meet the additional capacity request in this location.

If the Entry capacity is being made available via substitution and it is not allocated to a nominated User by 1st April, 2017 National Grid has the right to terminate the PARCA. If the PARCA is terminated for any other reason the recommended solution will not be progressed. Ofgem and other NTS users will be notified should either of these things occur.

Application for *Entry Capacity Release*

As part of the PARCA Phase 1 works National Grid completed network analysis to assess what impact the Entry capacity had on the existing network. Constraints were identified in the existing network which meant that options needed to be assessed in order to identify the most appropriate and robust solution to accommodate the Entry capacity requested.

Utilisation of Unsold Capacity at Barrow ASEP

Unsold Entry capacity at Barrow ASEP has been assessed and identified as being able to meet the Firm Quarterly System Entry Capacity requirements within the prevailing baseline NTS Entry Capacity at Barrow ASEP between 1st April, 2019 and 31st December, 2021.

Entry Zone	ASEP	Lowest quantity of un-sold Capacity		Capacity Required	Sufficient unsold capacity available (Y/N)?	
		Apr '19 – Dec '20	Jan '21 – Dec '32		Apr '19 – Dec '20	Jan '21 – Dec '32
		(GWh/d)	(GWh/d)			
Northern Triangle	Barrow	253.652899/ 219.651899 ²	45.707235/ 11.706235 ³	172.158333	Y	N

To assist the Authority's consideration of the approach, Appendix 1 provides additional information.

Release of Entry Capacity at Barrow via Entry Capacity Substitution

In accordance with the Licence⁴, substitution⁵ of *Non-incremental Obligated Entry Capacity* has been assessed and identified as being able to meet the Firm Quarterly System Entry Capacity requirements in excess of the prevailing *obligated* NTS Entry Capacity at the Barrow NTS ASEP Point in full.

² As per National Grid's Entry Capacity Release Methodology Statement (ExCR), 10% of the *Non-incremental Obligated Entry Capacity* is with-held from both QSEC & Ad-hoc QSEC auctions, and is also applied when calculating the 'Available NTS Entry Capacity' proposed for reservation for a PARCA Application. The two numbers indicate the quantity of unsold capacity before and after the 10% with-held quantity is applied.

³ As per footnote 2

⁴ Special Condition 5G (formerly paragraph 3(c)(i) of Special Condition C8E).

⁵ During October 2015, the Authority approved the Entry Capacity Substitution Methodology Statement (the "Methodology") pursuant to Special Condition 9A.

National Grid is a trading name for:

National Grid Gas plc

Registered Office: 1-3 Strand, London WC2N 5EH

Registered in England and Wales, No 2006000

National Grid therefore has identified that;

- All of the additional Baseline NTS Entry Capacity identified at the Barrow ASEP should be met by a combination of non-obligated capacity released at Barrow and substituting unsold NTS Baseline Entry Capacity from the Teesside NTS ASEP.

Statement of proposed *Non-incremental* Entry substitution in accordance with Special Condition 5G paragraph 6 (formerly paragraph 4(a)(iv) of Special Condition C8E) of the Licence:

Recipient NTS ASEP	Donor NTS ASEP	Capacity Substituted from Donor (kWh/d)	Exchange Rate Donor : Recipient	Substitution date
Barrow	Teesside	153,000,000	1 : 1	01/01/2021

The unsold capacity at Teesside is reduced to 203,621,575 kWh/d by the substitution.

Baseline Modification:

NTS ASEP	Recipient /Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining Unsold capacity (kWh/d)
Barrow	Recipient	340,010,000	493,010,000	0
Teesside	Donor	445,090,000	292,090,000	203,621,575

Appendix 1 provides additional information to demonstrate that National Grid has determined Entry capacity substitution in accordance with the Methodology. Substitution is subject to the capacity being allocated to a nominated User on 1st April 2017 and the PARCA following through to completion. If for any reason the capacity is not allocated or the PARCA is terminated then substitution will not be required.

I would therefore be grateful if you could acknowledge receipt of this informal notice and the date on which it was received.

If you require any further information, please contact myself or Jon Dutton, Gas Network Capability Manager on 01926 655 048.

Yours faithfully,

Craig Dyke
Gas Network Development Manager
Network Capability and Operations, Gas
National Grid