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Our Ref: 2017 – Damhead Creek 2 - PARCA

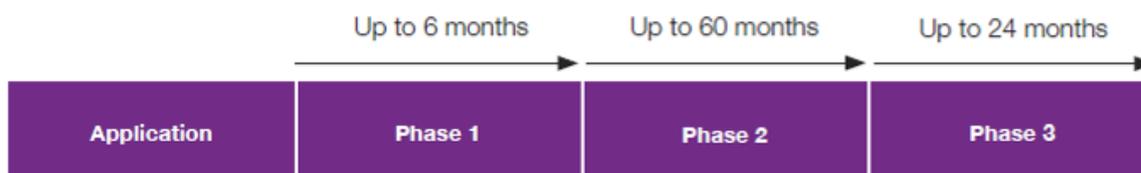
Dear Industry Colleagues,

Damhead Creek 2 PARCA ExCS Informal Notice (including Exit Substitution & Baseline Revision)

National Grid Gas plc (“National Grid”) received a Planning and Advanced Reservation of Capacity Agreement (PARCA) application on 28th September, 2016. The application achieved Competency¹ on 19th October, 2016. The application requested firm Enduring Annual NTS Exit (Flat) Capacity² in excess of the prevailing baseline capacity level at the Middle Stoke offtake³ (in respect of Damhead Creek 2 power station) Exit point. The application requested up to:

- 28,193,017 kWh/d from 1st October, 2020

The PARCA application triggered Phase 1 of the PARCA process on 19th October, 2016.



A variation to the original PARCA application was submitted on 30 January, 2017. As part of the Phase 1 works, National Grid completed network analysis to identify the most appropriate and robust solution to accommodate the Exit capacity being requested. The Phase 1 process identified that the Exit capacity request could be met in two tranches⁴ as follows;

- Tranche 1: Reserving up to 17,941,083 kWh/d of the maximum requested exit capacity for Damhead Creek 2 via the substitution of unsold exit capacity from Shorne exit point(s) in the vicinity of Damhead Creek 2 from 1st October, 2020.

1 As per Uniform Network Code, Transportation Principal Document, Section B – System Use and Capacity, para. 1.15.4.

2 Please note that this notice contains terminology relating to Exit Capacity which is used in the Licence and in the Uniform Network Code (“UNC”). Licence defined capacity terms are given in bold italics.

3 Middle Stoke (Damhead Creek, aka Kingsnorth Power Station) NTS exit point as per the National Grid Gas PLC Gas Transporter Licence in Respect of the NTS.

4 To accommodate a wider tolerance which was requested for reservation for the Damhead Creek 2 power station, and maintain best exchange rates, the capacity reservation has been split into two tranches. The best exchange rate in the analysis was at Shorne. However, Shorne does not have enough unsold capacity to satisfy the upper tolerance. Hence the first tranche is substitution from Shorne. This gives Scottish Power the flexibility to reserve lower capacity levels up to 17,941,083 kWh/d (the maximum that can be substituted from Shorne). For the upper tolerance (28,193,017 kWh/d), the best exchange rate is at Tatsfield and Farningham. Hence, the second tranche is substitution from these two exit point, and gives flexibility to reserve capacity up to the maximum requested

- Tranche 2: Reserving a further 10,251,934 kWh/d of the requested exit capacity via substitution of unsold exit capacity from Tatsfield and Farningham exit point(s) in the vicinity of Damhead Creek 2 from 1st October, 2020.

The Exit capacity will be available for reservation from 19th April, 2017.

The Exit capacity must be allocated to a nominated User by 1st April, 2020. Substitutable capacity is subject to capacity being allocated to a nominated User. The capacity will be registered, as requested by the PARCA Applicant, from 1st October, 2020. As a developer, the PARCA Applicant will identify a shipper 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 Exit capacity is not allocated to a nominated User by 1st April, 2020, National Grid has the right to terminate the PARCA. If the PARCA is terminated then the proposed solution will not be progressed. Ofgem and other NTS users will be notified of allocation or termination with non-allocation.

Application for Exit Capacity Release

Substitution of Unsold Exit Capacity from 1st October, 2020

As part of the PARCA Phase 1 works National Grid completed network analysis to assess what impact the Exit capacity had on the existing network.

In accordance with the Licence⁵, substitution⁶ of **Non-incremental Obligated Exit Capacity** has been assessed and identified as being able to meet the Firm Enduring Annual NTS Exit (Flat) Capacity requirements in excess of the prevailing baseline NTS Exit Capacity at the Middle Stoke NTS Exit Point in full.

National Grid therefore proposes that from 1st October, 2020;

- All of the additional Baseline NTS Exit Capacity identified at the Middle Stoke exit point, for the Damhead Creek 2 power station, can be met by substituting unsold NTS Baseline Exit Capacity from Shorne, Tatsfield and Farningham NTS Exit Points (See table below).

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

Tranche 1: for capacity reservation up to 17,941,083 kWh/d

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient : Donor)	Substitution effective date
Middle Stoke (Damhead)	Shorne	18,780,693	17,941,083	1 : 1.0468	01/10/2020

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

⁶ During October 2015, the Authority approved the Exit Capacity Substitution and Revision Methodology Statement (the "Methodology") pursuant to Special Condition 9A.

Tranche 2: for capacity reservation above 17,941,083 kWh/d up to 28,193,017 kWh/d

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient : Donor)	Substitution effective date
Middle Stoke (Damhead)	Tatsfield	10,001,887	9,518,354	1 : 1.0508	01/10/2020
	Farningham	250,047	236,742	1 : 1.0562	
	Total	10,251,934	9,755,097	1 : 1.0509	

Baseline Modification Proposals:

Tranche 1: for capacity reservation up to 17,941,083 kWh/d

NTS Exit Point	Type	Recipient / Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (kWh/d)
Middle Stoke (Damhead Creek)	DC	Recipient	95,336,184	113,277,267	0
Shorne	DN	Donor	67,060,000	48,279,307	0

Tranche 2: for capacity reservation above 17,941,083 kWh/d up to 28,193,017 kWh/d

NTS Exit Point	Type	Recipient / Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (kWh/d)
Middle Stoke (Damhead Creek)	DC	Recipient	95,336,184	123,529,201	0
Tatsfield	DN	Donor	67,060,000	57,058,113	8,778,806
Farningham	DN	Donor	135,120,000	134,869,953	48,246,546

Appendix 1 provides additional information regarding the proposal to demonstrate that National Grid has determined its proposals for Exit capacity substitution in accordance with the Methodology.

Substitution is subject to the capacity being allocated to a nominated User on 1st April, 2020 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 written proposal 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 sincerely,

Craig Dyke
Gas Network Development Manager
Network Capability & Operations, Gas
System Operator
National Grid