



Report on the application of the Capacity
Methodologies during formula year 2019/20

May 2020

nationalgrid

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1 Introduction

National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transportation Licence in respect of the NTS (the “Licence”) has prepared this report to meet the requirements as set out in Special Condition 9A.10 of the Licence, that:

“The Licensee must, by 31st May in each Formula Year, provide the Authority with a report on the application and implementation of each methodology relevant to Entry Capacity Transfer, Entry Capacity Trade, Entry Capacity Substitution and Exit Capacity Substitution and Exit Capacity Revision during the previous Formula Year setting out the extent to which, in the Licensee’s opinion, the capacity objectives were achieved during that previous Formula Year.”

National Grid is further required to use “reasonable endeavours” to ensure that the Methodologies will facilitate the “Capacity Objectives” as set out within Special Condition 9A.5 and for information contained within appendix 1 (Additional applicable Licence conditions are also contained within appendix 1).

The following sections summarise the effects, in terms of capacity release at individual NTS entry and exit points, of applying each capacity methodology for the formula year **2019/20**. National Grid’s opinion of the extent to which each capacity methodology achieves the capacity objectives is provided.

2. Transfer and Trade

2.1 Results

Transfers and Trades resulting from the Rolling Monthly Transfer and Trade System Entry Capacity (RMTNTSEC) auctions for the months April 2019 to March 2020 are provided in the table below.

The first stage of the Entry Capacity Transfer and Trade Methodology, requires that where possible, unsold or surrendered capacity at an ASEP is used to satisfy bids for capacity from Users at the same ASEP. All unsold and surrendered capacity not allocated in Stage 1 will be made available in Stage 2. Sold out ASEPs with unsatisfied capacity bids from Stage 1 will be considered as recipient ASEPs for Transferring or Trading available capacity from different, donor ASEPs.

Stage 1							
Month	Initial Recipient	Final Donor	Capacity Offered for Surrender	Surrendered Quantity Allocated kWh/d	Transfer	Trade	Unsold Quantity Remaining
Oct19	Bacton UKCS		50,000,000	-			161,713,521
Nov19	Bacton UKCS		50,000,000	-			161,713,521
Dec19	Bacton UKCS		50,000,000	-			161,713,521
Jan20	Bacton UKCS		50,000,000	-			50,000,000
Feb20	Bacton UKCS		50,000,000	-			50,000,000
Mar20	Bacton UKCS		50,000,000	-			50,000,000
Total			300,000,000				
Stage 2							
Month	Recipient	Donor			Transfer		Unsold Quantity Remaining - Donor
None							

The table above shows that:

- For the period October 2019 to March 2020 there were no surrender quantities allocated at any ASEPs within Stage 1. Capacity was offered for Surrender at Bacton UKCS alone, however none of the bids were successfully allocated.

Please note:

- Surrendered capacity** is capacity that Shippers with capacity allocations greater than their requirements make available for purchase by other Shippers, at the same or different ASEPs. If surrendered capacity is not allocated to a new Shipper, then it remains with the original Shipper at the original ASEP.
- In **Stage 1**, unsold capacity plus surrendered capacity is made available for allocation in the RMTNTSEC auction at the same specific ASEP. Any allocations under Stage 1 either from unsold or surrendered capacity is neither a trade nor transfer as defined by the Licence.
- In **Stage 2**, all ASEPs with unsold and surrendered capacity not allocated in Stage 1 will be considered as donor ASEPs for Transferring or Trading that capacity to different ASEPs.
- Any unsold capacity allocated in Stage 1, i.e. at the same ASEP, has been omitted from the table.

2.2 Achievement of Objectives

As can be seen from the table above, the Transfer and Trade methodology was successful in enabling additional capacity to be made available to Shippers. However, despite the same quantity (50,000,000 kWh/d) being surrendered for six consecutive months, none of these bids were successfully allocated.

National Grid believes that through the Entry Capacity Transfer and Trade process, of which the methodology is an integral part, it:

- Has made effective use of the NTS. The opportunity to transfer capacity from Bacton UKCS was made available, though not utilised;

- Avoided any material increases in costs. There was no analysis required by the NTS Access and Planning team due to no transfer of capacity, and as such the risk of capacity buy-back actions being required was unchanged.

3. Entry Capacity Substitution

3.1 Results

The Entry Capacity Substitution Methodology has been available, to enable unsold Non-Incremental Obligated Entry Capacity at one or more ASEP(s), to meet a requirement for capacity that is in excess, of the Obligated Entry Capacity elsewhere. This is in preference to releasing Funded Incremental Obligated Entry Capacity which could require investment in new infrastructure.

Entry Capacity Substitution resulting from the QSEC auctions in March 2019 is provided in the table below:

Results for March 2019 QSEC					
ASEP where release of incremental entry capacity was triggered	Quantity	Date from	Donor	Quantity Substituted	Comment
None					

No PARCA applications were received during the year 2019 – 2020, that resulted in Entry substitution, and there was no trigger to run an ad-hoc QSEC auction.

3.2 Achievement of Objectives

As can be seen from the tables above, the Entry Capacity Substitution methodology was not tested. However National Grid believes that it provides a robust methodology that, whilst meeting the capacity objectives, would allow for the release of capacity at an ASEP in excess of the Obligated Entry Capacity without the need to release Funded Incremental Obligated Entry Capacity.

4. Exit Capacity Substitution

4.1 Results

The Exit Capacity Substitution methodology enables additional exit capacity to be made available which otherwise would have been made available only with additional funding of investment to satisfy the incremental demand through the release of Funded Incremental Obligated Exit Capacity.

Exit Capacity Substitution, resulting from Enduring Annual NTS Exit (Flat) Capacity applications in the July 2019 Application window, is provided in the table below:

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient: Donor)	Remaining quantity requiring funding	Effective from
Rawcliffe	Cowpen Bewley	250,000	225,774	1.1073:1	24,226	1 October 2020
Rawcliffe	Enron Power Station	1,800,000	1,625,575	1.1073:1	174,425	1 October 2020

The table shows that:

- *There was one Enduring Annual NTS Exit (Flat) Capacity application made in the July 2019 Application window which was satisfied by two donor NTS Exit Points.*

4.2 Achievement of Objectives

As you can see from the table above, National Grid received one Exit Capacity Substitution request and hence tested the methodology. In response, it is proven that the methodology is robust enough to enable additional exit capacity to be made available that would have otherwise only been made available with additional funding. Rawcliffe, in this example, benefitted from the capacity methodology, which helped satisfy its additional capacity needs.

4.3 PARCA

PARCA Applications						
Recipient NTS Point	Quantity (kWh/d)	Donor NTS Points	Capacity Donated (kWh/d)	Capacity Allocated (kWh/d)	Exchange Rate (Recipient :Donor)	Effective from
None						

The table shows that:

- *In the period April 2019 – March 2020 no PARCA application proceeded to substitution due to either applications being withdrawn or by being satisfied via unsold capacity.*

The table helps illustrate that although PARCA applications were received, none of these resulted in substitution and therefore the methodology was not tested.

5. Exit Capacity Revision

5.1 Results

Since the introduction of the Exit Capacity Substitution and Revision Methodology, there has been no Incremental Obligated Exit Capacity released and hence no increased flow at any Entry Points has been demonstrated. As a result, within the formula year April 2019 to March 2020, no notional NTS Exit points have been established and Exit Capacity Revision has not occurred.

6. Interconnector Points Rolling Monthly Auctions

6.1 Entry Results

Transfers and Trades resulting from the Interconnector Points Rolling Monthly System Entry Capacity (IPRMSEC) auctions for the months April 2019 to March 2020 are provided in the table below.

Results April 2019 – March 2020				
Stage 1				
Month	Location	Available Quantity kWh/d	Surrendered Quantity Allocated kWh/d	Quantity Available for Offer kWh/d
None				

The table shows that there were no bids in the IPRMSEC auctions, throughout 2019/20.

6.2 Exit Results

Transfers and Trades resulting from the Interconnector Points Rolling Monthly System Exit Capacity (IPRMNEX) auctions for the months April 2019 to March 2020 are provided in the table below.

Results April 2019 – March 2020				
Stage 1				
Month	Location	Available Quantity kWh/d	Surrendered Quantity Allocated kWh/d	Quantity Available for Offer kWh/d
April 19	Moffat	500,000	0	296,251,508
	Moffat	6,602,965	0	
May 19	Moffat	100,000	0	303,254,473
June 19	Bacton	117,967,008	0	244,591,095
July 19	Bacton	29,307,120	0	403,943,863
Sept 19	Moffat	100,000	0	303,254,473
Oct 19	Moffat	400,000	0	279,890,673
Nov 19	Moffat	200,000	0	280,090,673
Dec 19	Moffat	500,000	0	279,790,673
Jan 20	Moffat	473,004	0	279,087,669
	Moffat	850,000	0	
Feb 20	Moffat	950,000	0	279,460,673
Mar 20	Bacton	78,768,000	0	492,539,383
	Moffat	74,645	0	279,486,028
	Moffat	850,000	0	

The table shows that:

- There were bids for every month between April 2019 and March 2020, with the exception of August.
- Capacity was not offered for Surrender at either Bacton or Moffat.

7. Summary

National Grid believes that it has fully complied with:

- the Entry Capacity Transfer and Entry Capacity Trade obligations through the application of the prevailing Entry Capacity Transfer and Trade Methodology Statement;
- the Entry Capacity Substitution obligations through the application of the prevailing Entry Capacity Substitution Methodology Statement and;
- the Exit Capacity Substitution and Exit Capacity Revision obligations through the application of the prevailing Exit Capacity Substitution and Revision Methodology Statement

National Grid believes that:

- the Transfer and Trade solution successfully met the capacity objectives in formula year 2019/20
- despite there being no opportunity to apply the Entry Capacity Substitution methodology for formula year 2019/20, it has been developed such that it successfully met the capacity objectives in formula year 2019/20
- the Exit Capacity Substitution methodology successfully met the capacity objectives in formula year 2019/20

Appendix 1 – Licence Conditions

Special Condition 9A.2 – This obligation requires National Grid to use reasonable endeavours to:

- substitute Entry Capacity and Exit Capacity in accordance with the relevant Capacity Methodology Statements
- revise Exit Capacity in accordance with the relevant Capacity Methodology Statement; and
- meet any requests from a Relevant Shipper to transfer and/or trade Entry Capacity in accordance with the relevant Capacity Methodology Statements

Special Condition 9A.3 (a) – This obligation requires National Grid to have in place capacity methodologies (“the methodologies”) that facilitate the achievement of the capacity objectives. The capacity methodologies are:

- Entry Capacity Substitution
- Exit Capacity Substitution
- Exit Capacity Revision
- Entry Capacity Transfer
- Entry Capacity Trade

Special Condition 9A.3 (c) – This obligation requires these methodologies to be set out in the “Capacity Methodology Statements” and that they are approved by the Authority. The Capacity Methodology Statements are:

- Entry Capacity Substitution
- Exit Capacity Substitution and Revision¹
- Entry Capacity Transfer and Trade²

Special Condition 9A.5 – This obligation requires that the methodologies are developed to facilitate the achievement of the “capacity objectives”, which are:

(a) ensuring that each of Entry Capacity Substitution and Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the Licensee’s duties under the Act and in particular, the duty to develop and maintain an efficient and economical pipeline system and its obligations under [the Licence];

(b) in so far as is consistent with (a) above, ensuring that:

(i) Entry Capacity Substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with Funded Incremental Obligated Entry Capacity, taking into account the Entry Capacity that shippers have indicated that they will require in the future through making a financial commitment to the Licensee; and

(ii) Exit Capacity Substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with Funded Incremental Obligated Exit Capacity, taking into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the Licensee;

(c) in so far as is consistent with (a) above, ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision is effected in a manner which is compatible with the physical capability of the pipeline system to which the Licence relates;

¹ Due to the high degree of similarity between the Exit Capacity Substitution and Revision methodologies National Grid has prepared this single document to satisfy the Licence requirements outlined above.

² Due to the high degree of similarity between the Entry Capacity Trade and Entry Capacity Transfer methodologies National Grid has prepared this single document to satisfy the Licence requirements outlined above.

(d) in so far as is consistent with (a) above, avoiding material increases in costs including:

(i) Entry Capacity and Exit Capacity Constraint Management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the Licensee to Relevant Shippers; and

(ii) Exit Capacity Constraint Management costs in respect of Obligated Exit Capacity previously allocated by the Licensee to DN Operators,

that are reasonably expected to be incurred by the Licensee as a result of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision; and

(e) in so far as is consistent with (a), (and where relevant) (b), (c) and (d) above, facilitating effective competition between:

(i) Relevant Shippers, and to the extent relevant to Exit Capacity, DN Operators; and

(ii) Relevant Suppliers

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