



**Informal Consultation on Capacity
Methodology Statements and Proposed
Licence Changes**

Conclusions Report

17th January 2014

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"); and
- Exit Capacity Substitution Methodology Statement ("ExCS"); 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 long term NTS Entry / Exit Capacity. This has ultimately resulted in UNC Modification 0452v¹: "Introduction of the Planning and Advanced Reservation of Capacity Agreement" which is now with Ofgem for a decision. Other related work has been progressing in parallel.

To facilitate the changes proposed in UNC Modification 0452v, a number of changes to the Licence have also been discussed with industry and informally consulted upon by National Grid. We have also been working with Ofgem to develop these potential changes to the Licence. It is necessary for Ofgem to consult on any proposed Licence changes prior to their potential implementation.

On the 16th September 2013 NG NTS invited all interested parties to comment on the potential revisions to the methodology statements through the informal consultation on the draft changes to the release statements. It was considered that an informal consultation on the potential changes to the capacity statements and the Licence would be beneficial for industry to help understand the extent and impact of, and have an opportunity to provide feedback on these potential changes. Thank you for your feedback, this has assisted National Grid in the further development of the statements, Licence drafting discussions with Ofgem, and related changes.

Please be aware that the statements we have informally consulted upon will be developed further, for example, as a result of the responses 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 to implement either UNC Modification 0452V or 0465V is made and the release for consultation of any associated Licence changes with which the Methodology Statements should comply. 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 and Licence changes. 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 methodology statements and Licence which will be released for a Formal Consultation. The responses 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/

¹ UNC Modification 0465v has also been raised by SSE and is also with Ofgem for a decision; 0465v can be considered as an alternative to 0452v. These methodology statements would reflect either UNC Modification in the event of implementation.

Responses

Representations were received from three respondents listed below.

- British Gas Trading BGT
- Eni Eni
- Energy UK Energy UK

The more substantive issues raised relate to:

- The statements having been drafted prior to the amendments to the modifications which provided for a PARCA being agreed at the end of phase 1 in order to progress to phase 2, rather than at the start of phase 1.
- The potential for Authority veto of substitution proposals at the point of allocation, which may be several years after capacity has been reserved and therefore has the potential to create uncertainty and risk for new projects.
- How multiple and interacting projects will be assessed irrespective of whether the Applications are received through the annual window or via a PARCA application.
- The wider alignment of Entry and Exit regimes, with particular reference to capacity allocation procedures and the ability for Entry Capacity Users to apply for a Capacity Reduction of their long-term bookings
- Termination of the PARCA due to events or circumstances beyond the reasonable control of either National Grid or the PARCA applicant and that it may not be appropriate for the PARCA applicant to pay for the Works undertaken during Phase 2.
- The complexity of the methodology statements making them difficult to understand and less accessible.

Detailed comments from respondents and NG NTS' responses are provided in the following table. Please note that no comments were received on the proposed Licence changes.

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/

Issue	Paragraph	Response Quotes	NG NTS Response	Proposed changes
Proposed Licence Changes				
No issues have been raised.				No changes proposed

Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
1 – ExCR		BGT Comments		
1.1	Para 13	It is worth noting that the PARCA alone may not provide “a guarantee of timely delivery of Incremental Obligated Exit Capacity” – planning approval might not be granted so perhaps worth adding a “subject to planning approval being granted” caveat to paragraph 13 (a).	We agree that the use of “guarantee” may be misleading and that rewording of the sentence is appropriate.	Redrafted Wording: “Subject to planning approval being granted, it is only through the PARCA...”
1.2	Para 15	If the PARCA is terminated due to events or circumstances beyond the reasonable control of either National Grid or the PARCA applicant (e.g. force majeure) then it may not be appropriate for the PARCA applicant to pay for the Works undertaken during Phase 2. We have previously raised this concern.	We recognise that there could be scenarios where it may not be appropriate for the PARCA applicant to pay a termination fee or for National Grid to fully recover costs through the licence. However, defining such scenarios would be challenging. As such we have now included the following clauses into the draft PARCA contract: <ul style="list-style-type: none"> • 5.3 Where pursuant to Clause 5.1 NGG made an application for a Planning Permission, has not used reasonable endeavours to obtain such Planning Permission on satisfactory terms and fails to obtain such Planning Permission in the first instance on satisfactory terms, the Reservation Party shall not be liable for the PARCA Termination Amount in the event NGG terminates the Agreement in 	No change

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			<p>accordance with Clause 13.1.1(b).</p> <ul style="list-style-type: none"> 5.4 Notwithstanding NGG’s right of termination pursuant to Clause 13.1.1(b), where NGG fails to obtain any Planning Permission in the first instance on satisfactory terms NGG shall use reasonable endeavours to discuss available options with the Reservation Party prior to termination. 	
1.3	Para 66	At the end of the Paragraph add “under phase 2 of the PARCA”	Agree.	Additional wording: “... under phase 2 of the PARCA”
1.4	Para 73 (e)	We suggest you replace the phrase “inform all Users of” with “publish relevant information relating to”. Informing all Users suggests individual communications and may be impractical.	Agree.	Redrafted Wording: “Publish relevant information relating to any capacity reservation, allocation, and/or substitution pursuant to the PARCA...”
1.5	Para 74 (e)	As per comment for Para 15 – needs to be qualified for occasions where force majeure circumstances bring about the termination.	See BGT -1.2 response	No Change
1.6	Para 82 & 92	The last point needs to make it clear that, once released, the Non-Obligated Exit Capacity will remain registered with the relevant User on an enduring basis but that the capacity will not, if subsequently returned to National Grid, necessarily be made available for further release, i.e. the Non-Obligated Exit Capacity will not be re-classified as Obligated Exit Capacity. As it stands, the paragraph suggests that Non-	<p>Agree.</p> <p>Additional wording to be included at the end of the paragraph to provide greater clarity.</p>	<p>Redrafted Wording</p> <p>“... in the event that there is a reduction at some point in the future.</p>

		Obligated Capacity can be taken back from a User at any time.		
1.7	Para 108	The last part “and those Users are registered as holding that reserved capacity” must be wrong – the capacity needs to be made available before registration.	Reserved capacity will be registered (allocated) to Users at the end of Phase 2 of the PARCA. This is before capacity is physically made available. This paragraph stresses that a Reservation Party must ensure that all the reserved capacity is registered otherwise National Grid may not undertake construction. Wording has been amended for clarification.	Redrafted Wording: “National Grid may not undertake any construction activities to reinforce the NTS until all the capacity reserved is registered to one or more Nominated Users.”
1.8	Para 113	The last phrase “at the same NTS Exit Point” implies that capacity can’t be released for substitution elsewhere even if this helps to avoid a requirement to provide Incremental Obligated Exit Capacity. Is this intended and sensible?	Whilst the reduction process is not currently under review as part of the PARCA review this is something that can be looked at as part of a subsequent ExCR review. This is complicated by Substitution not always being appropriate where the donor point has an outstanding User Commitment. Different charges at the donor and recipient points and the exchange rate may result in the User Commitment at the recipient being much lower than at the donor point. This may undermine the User Commitment principle.	No Change
1.9	Para 117 & 119	Paragraphs 117 and 119 appear to be inconsistent – paragraph 117 says the “invitation will specify the date from which the reduction must apply” yet paragraph 119 suggests there is flexibility on dates offered.	The intention is that paragraph 117 states that the date when a reduction is required to align to the increase request whereas paragraph 119 provides a merit order to help select the appropriate reduction offer where dates differ from that stated in the invitation. The relevant part of paragraph 117 will be reworded to clarify.	Redrafted wording (para 117): “...The invitation will specify the date from which National Grid would like the reduction to apply from, to align with the effective date of release of the relevant Incremental

				Obligated Exit Capacity...
1.10	Para 161	A User may require the capacity before allocation; should this therefore refer to reserved capacity? Also, the paragraph needs re-wording as it currently says the “Signal” is being allocated, not the capacity.	Agree that the paragraph should refer to reserved capacity.	Redrafted Wording: “Where a User has provided an <i>Incremental Capacity Signal</i> for Enduring Annual NTS Exit (Flat) Capacity which has resulted in capacity being allocated or reserved for a future date...”
1.11	Para 169 & 170	It would be worth having a discussion on this as restrictions on the availability of Firm Daily NTS Exit (Flat) Capacity would be unreasonable given that National Grid is obliged to make it available under its licence.	Releasing additional within day capacity where a constraint exists or is likely to occur would not be efficient or economic if it would increase the cost of that constraint. We believe there are circumstances in which the restriction of day-ahead capacity release would also be appropriate in order to protect consumers from inefficient constraint management costs.	No Change.

2 – ExCS

2.1	General Comment	It would be beneficial to have further debate on the pecking order for the provision of substituted capacity where a PARCA is competing with applications for capacity during the annual application windows, and to consider how this is reflected in this Statement. So, for example, if a request for capacity at Exit Point A under a PARCA can be satisfied (in whole or in part) by utilising substitutable capacity from Exit Point C but at the same time some of the same substitutable capacity from Exit Point C can be used to satisfy a request, under the annual window, for capacity at Exit Point B – how is the substitutable capacity used? Is preference given to one or other of the applications for the capacity or is the capacity shared out in some way?	UNC Modifications 0452v and 0465v both include provisions that provide an option for the initialisation of the Phase 1 PARCA works to be delayed by NG until the outcomes / impacts of the annual application process are known. This allows the interactions of the PARCA and Application processes to be assessed and considered on a case by case basis. In the example you have provided, if the capacity had already been reserved then the PARCA takes priority and the unsold capacity would not be made available through the annual application window. If not reserved, then it is likely that the	Footnote to be added to paragraph 30: “UNC Modifications 0452v and 0465v both include provisions that provide an option for the initialisation of the Phase 1 PARCA works to be delayed by National Grid until the outcomes / impacts of the annual application process are known. This allows any interactions of the PARCA and Application
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			unsold capacity would be made available for the Annual process. A footnote will be added for clarification.	processes to be assessed and considered on a case by case basis.”
2.2	Para 23	Note that “applications” and not “bids” are made for enduring exit capacity.	Agree.	Redrafted Wording: “... i.e. capacity will be allocated at the NTS Exit Point where applications are placed...”
3 – ECS				
3.0	General Comment	The document is somewhat impenetrable. It is accepted that this statement needs to be technically accurate however the repeated use of defined terms, for example, does make it difficult going. Some shippers will take the time to understand the nuances of all the different capacity products, however those that want a more basic understanding of the process will struggle.	Agree. National Grid is considering developing streamlined versions of all four methodologies in the future.	No change at this time
3.1	General Comment	Date of Document - much of the document has the date 15 May 2009 on the header.	This date does not appear in clean proposed version, just the comparison document. This is a quirk of the comparison software. The May 2009 date will not appear in the final document.	No change
3.2	General Comment	Fonts - there seem to be a variety of font styles and sizes throughout the document (although mainly confined to the front end).	As above	No change
3.3	General Comment	User – many references to “User” have been prefixed with the word “Shipper”, although a number – particularly in the first half of the document – haven’t	We will review and amend as appropriate.	Document to be reviewed and amended, where appropriate, prior to release for formal consultation.
3.4	‘About This Statement’	Redundant quotation marks after UNC on paragraph 4 of page 5 (change marked version)	Agreed	Document changed
3.5	Para 10	Sentence 4: ‘an Entry Capacity ’ should be ‘any Entry Capacity ’.	Agreed	Document changed

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3.6	General Comment	Both UNC Modifications 452 and 465 introduce new defined terms into the UNC particularly to do with PARCA and Reserved Capacity. These need to be reflected as defined terms (in bold) in the methodology statement in order to agree with NG's terminology protocol.	The protocol of bold for UNC defined terms is used only for capacity terms. We will review and amend as appropriate.	Document to be reviewed and amended, where appropriate, prior to release for formal consultation.
3.7	General Comment	There are other references in the ECS which look like they should be bold but are not (see para 28 for examples e.g. Non- Inc Ob Entry, etc.).	Agree, we will review and amend the document, where appropriate, prior to the version released for formal consultation.	Document to be reviewed and amended, where appropriate, prior to release for formal consultation.
3.8	Para 30	Footnote 7 could do with coming earlier in the document ref to Y+4 in Para 22(h)	Agree, footnote to be moved to paragraph 22(h) and reviewed.	Footnote 7 moved to paragraph 22(h) and reworded: "References in this document to years "Y+4" etc relate to capacity years, i.e. year Y is the year of the auction. E.g. for a March QSEC in year Y (2015) capacity release would be October 2018 to September 2019 (Y+4)."
3.9	Para 23	Paragraph 23 says "Following each QSEC auction, and following a PARCA being agreed...". Should the "and" be an "or"?	Agree	Document changed
3.10	Diagram 1	The vertical axis labels look incomplete and include an asterisk which doesn't seem to do anything.	Agree	Diagram 1 amended
3.11	Para 34	This paragraph is incomplete and needs re-drafting.	Agree	Redrafted Wording: "i.e. parties who have acceded to the Network Code"
3.12	Para 40	"closing" should be "closes".	Agree	Document changed

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3.13	Para 69	Paragraph 69 refers to avoiding “incremental increase in risk”. This could do with being clearer – what risk, and to whom?	Substitution may affect system capability and National Grid will assess whether there is an increased risk of a constraint on the network. This is a risk for both National Grid and Users. A footnote will be added for clarification.	Footnote to be added: “Substitution may affect system capability. National Grid will assess whether a potential substitution would result in an increased risk of a constraint on the network.”
3.14	Appendix 2	The box in the second column, refers to para 60. This is now para 62. Also, the wording in the box doesn’t seem to agree with para 62 i.e. box says lowest RD, but para 62 says no RD followed by highest RD finishing with lowest.	Agree	Document changed
3.15	Para 87	Footnote 13 refers to a User reducing its registered [Entry] capacity – surely this applies to Exit only?	Agree	Footnote deleted
4 – ECR				
4.1	General Comments	As above, need to ensure all defined terms adhere to NG’s terminology (e.g. PARCA in bold). Similarly, we need to be consistent in the use of Shipper User (not all references to User are prefaced by Shipper).	Agree – we will review the document and amend as appropriate.	Document to be reviewed and amended, where appropriate, prior to release for formal consultation.
4.2	General Comments	Might it be useful to have an overview of the PARCA stages (e.g. as an appendix) since there are references to PARCA phase 1 etc.?	Thank you for the suggestion, this will be incorporated	Document changed
4.3	Para 4	Should Long Term Non-Firm be added to the list of capacity types?	A clarification footnote will be added.	Footnote to be added: “For the avoidance of doubt, from the date of implementation, if implemented, of UNC Modification 0454, Firm NTS Entry Capacity shall incorporate Long Term Non Firm NTS Entry Capacity .”
4.4	Para 23	The second bullet refers to NTS Exit Capacity	The error to be corrected is a reference to NTS Exit Point in bullet 1 which will be changed.	Redrafted wording: “...National Grid may not reserve capacity from the relevant ASEP.”
4.5	Para 33	Footnote 11 could come earlier in the document as there are a number of previous	Agree.	Footnote 11 moved to

		references to ASEP.		Paragraph 15.
4.6	Para 50	We fundamentally disagree with the claims being made in this paragraph which are completely at odds with the very high TO commodity charge being levied to recover allowed revenues. In particular, having daily firm capacity with a zero reserve price does not achieve the first bullet point. This paragraph therefore needs to be carefully re-written or deleted.	Reserve Prices for Firm NTS Entry Capacity are intended to facilitate the aims as outlined within para 50, whether they successfully achieve these aims is a separate issue. The paragraph will be reworded to clarify.	Redrafted wording: "Each auction has a reserve price. The Reserve Price calculation is intended to: <ul style="list-style-type: none"> • ensure that the total income that National Grid expects to receive through the auctions is reasonably consistent with the income it is allowed to receive in accordance with the Licence. Any variation from the allowed revenue is corrected through commodity charges (based on actual flows). • ensure that prices are cost reflective. ASEPs that are further away from demand centres tend to have higher reserve prices. Similarly, as gas input at larger ASEPs penetrates further into the system the prices for these ASEPs will generally be higher. • Subject to paragraph

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				51, ensure that at ASEPs where there is limited competition for capacity that a cost reflective price is paid for that capacity.”
4.7	Page 20	Should the AMSEC make reference to the Interconnection Point surrender process under UNC Modification 449 and should such reference also be made in the ExCR?	Reference to Modification 0449 and Interconnection Point surrender process is covered fully in paragraph 78.	No change
4.8	Para 77	Paragraph 77 needs to be updated now that UNC Modification 449 has been implemented	Agree.	Delete paragraph 77 and revise wording for 78 as follows: “in respect of Interconnection Points only”
4.9	Para 79	Should non obligated Capacity be included?	Agree. To be added at the end of the list.	Document changed

Issue	Paragraph	Response Quotes	NG NTS Response	Proposed changes
1- All Methodologies		ENI Comments		
1.0		We consider that the PARCA is a suitable mechanism for the release of Incremental Capacity at both Entry / Exit points and attributes the costs of planning and physical works to Users interested in incremental capacity Entry / Exit. Eni also appreciate that the mechanism for Exit points in the form of an ARCA has been extended to Entry Points.	National Grid appreciates your comments that support the PARCA mechanism as a suitable process for the reservation of Incremental NTS Entry & Exit Capacity.	No change
1.1		We would propose to National Grid to consider a wider alignment of Entry and Exit regimes, with particular reference to capacity allocation procedures, with the aim of providing for an equal treatment of Entry and Exit Capacity Users. In particular, it should be allowed also to Entry Capacity Users to apply for a Capacity Reduction of their long-term bookings, as it is currently possible only for Exit capacity users.	National Grid welcomes your thoughts in relation to the equal treatment of the Entry & Exit Capacity regimes and would be happy to partake in any industry discussion on this matter.	No change
1.2		The introduction of Entry Capacity Reduction application would improve system users' flexibility, consequently enabling the capacity regime to better reflect users true capacity needs.	We also note your comments on the introduction of Reductions for Entry Capacity and would be happy to partake in a discussion on this with yourself and the industry.	No change

Issue	Paragraph	Response Quotes	NG NTS Response	Proposed changes
1-All Methodologies Energy UK				
1.1	General Comments	<p>Energy UK has previously called for the methodology statements to be incorporated into the UNC document to provide for standardised governance arrangements and reduce the need for UNC changes to be also reflected into the methodology statements leading to an increased administrative burden. We understand that Ofgem may consider this once the revised arrangements for reserving and booking incremental capacity are in place. However that does leave the industry the challenge of ensuring that the changes introduced by recent reforms and those yet to be implemented are fully and accurately reflected in the methodology statements. This task has become even more complex since the start of the new price control period. This saw the complexity and diversity of terminology and definitions in these documents increase substantially, particularly since the UNC and licence use different definitions. This makes these documents less accessible and even more difficult to decipher than before. We consider the original intent of the documents to provide clarity on the release of capacity has now been lost and we urge National Grid and Ofgem to consider the future of these documents.</p>	<p>National Grid is considering developing streamlined versions of all four methodologies. However we welcome this feedback and are happy to partake in any future discussions on this matter.</p> <p>National Grid has previously set out its position as to why it believes the methodology statements should not be incorporated into the UNC and our position remains the same.</p>	
1.2	General Comments	<p>The statements seem to have been drafted prior to the amendments to the modifications which provided for a PARCA being agreed at the end of phase 1 in order to progress to phase 2, rather than at the start of phase 1.</p>	<p>A further review will be undertaken to ensure the methodology statements are up to date with the latest proposals prior to the formal consultation.</p>	
1.3	General Comments	<p>We also have concerns over the potential for Authority veto of substitution proposals at the point of allocation, this may be several years after capacity has been reserved and has the potential to create uncertainty and risk for new projects. This arises since National Grid does not seek approval for substitution until allocation, but it does notify the Authority of the likely substitution in order to reserve capacity.</p> <p>We understand and acknowledge that there are benefits in formally making the substitution request later in the overall process; the substitution opportunities may change in the intervening period, capacity maybe reduced in the vicinity, flow assumptions may change. However we feel this needs to be better balanced against the requirements for new projects to have certainty that capacity will be made available according to the terms of the PARCA. We would welcome Ofgem and National Grid seeking ways to provide greater assurance in this regard.</p>	<p>National Grid understands the concerns raised and our preference is for an Ofgem veto at the point of reservation, we have both discussed and continue to discuss this with Ofgem. The reservation process would be administered under the UNC and charging methodologies, and in accordance with that, Ofgem have informed National Grid NTS that their intended approach would be to remain at arm's length with no formal approval or veto at the reservation stage. In the absence of a formal veto</p>	

			at the point of reservation, National Grid would seek an informal direction from Ofgem which we believe would be workable.	
1.4	General Comments	It is not clear from the documents how multiple and interacting projects will be assessed whether the Applications are received through the annual window or via a PARCA application. Some further discussion and clarity on this would be useful. For example PARCA application can be met fully from existing capacity or substitution but there is an annual window during the phase 1 period and an application through that route takes the total requirement above that which can be met without investment. Which application is met? Or is neither met until both can be fulfilled?	<p>UNC Modifications 0452v and 0465v both include provisions that provide an option for the initialisation of the Phase 1 PARCA works to be delayed by NG until the outcomes / impacts of the annual application process are known. This allows the interactions of the PARCA and Application processes to be assessed and considered on a case by case basis. In the example you have provided, if the capacity had already been reserved then the PARCA takes priority and the unsold capacity would not be made available through the annual application window. If not reserved, then it is likely that the unsold capacity would be made available for the Annual process.</p> <p>There is a set of slides describing examples of interacting projects which were presented at Transmission Workgroup. These will be attached as an appendix to the relevant methodology statements and will help to provide guidance.</p>	<p>Footnote to be added to each methodology statement, where relevant, for clarification:</p> <p>“UNC Modifications 0452v and 0465v both include provisions that provide an option for the initialisation of the Phase 1 PARCA works to be delayed by National Grid until the outcomes / impacts of the annual application process are known. This allows any interactions of the PARCA and Application processes to be assessed and considered on a case by case basis.”</p>
2) - ExCR				
2.0	Para 13	It may be worth adding that delivery of incremental obligated capacity may be subject to planning approval in the anticipated timescales since PARCA alone cannot guarantee delivery of capacity	We agree that the use of “guarantee” may be misleading and that rewording of the sentence is therefore appropriate.	<p>Redrafted Wording:</p> <p>“Subject to planning approval being granted, it is only through the</p>

2.1	Para 15	See point EUK-1.2 above. It would seem unreasonable to call on the security if the PARCA is terminated for reasons beyond the control of the applicant or National Grid. The amount invoiced is not related to the Works	<p>We recognise that there could be scenarios where it may not be appropriate for the PARCA applicant to pay a termination fee or for National Grid to fully recover costs through the licence. However, defining such scenarios would be challenging. As such we have now included the following clauses into the draft PARCA contract:</p> <ul style="list-style-type: none"> • 5.3 Where pursuant to Clause 5.1 NGG made an application for a Planning Permission, has not used reasonable endeavours to obtain such Planning Permission on satisfactory terms and fails to obtain such Planning Permission in the first instance on satisfactory terms, the Reservation Party shall not be liable for the PARCA Termination Amount in the event NGG terminates the Agreement in accordance with Clause 13.1.1(b). • 5.4 Notwithstanding NGG's right of termination pursuant to Clause 13.1.1(b), where NGG fails to obtain any Planning Permission in the first instance on satisfactory terms NGG shall use reasonable endeavours to discuss available options with the Reservation Party prior to termination. 	PARCA..."
2.2	Para - 20, 21, 36	See point EUK-1.3 above.	Please see response for point EUK-1.3	

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2.3	Para 49	Clarity sought that if a project is sold the reserved capacity can be transferred in some way	We agree; novation of the PARCA contract is possible.	Redrafted Wording: “For clarity, Capacity that is reserved and not yet registered pursuant to a PARCA cannot be assigned, however novation of the PARCA contract is possible.
2.4	Para 54	Is this paragraph needed it seems to be repeating Para 53, are references to initialized capacity still required?	We agree that there is duplication between these paragraphs and will simplify or combine these paragraphs where possible. The reference to initialised capacity is still required since there may still be initialised capacity (which has not been subject to an increase) that this paragraph is relevant to.	Paragraphs 53 and 54 have been combined and simplified to avoid duplication.
2.5	Para 57	The reference to ‘ <i>reserved</i> ’ should be ‘ <i>allocated</i> ’ for consistency with 58 d	Agree	Wording amended
2.6	Para 65 (b)	See point EUK-1.2 above. This needs to reflect that a PARCA is not entered into until after phase 1, should reference completion of Phase 1 of a PARCA and putting in place appropriate security for Phase 2	Agree – see EUK-1.2 response	
2.7	Para 71	The generic revenue driver methodology has been agreed so text should reflect this.	Agree. The text will be updated to reflect the approval of the Generic Revenue Driver Methodology Statement.	Wording changed
2.8	Para 72	Can this be deleted?	Agree.	Paragraph deleted
2.9	Para 73 a&b	These steps occur as part of Phase 1 before the PARCA is agreed	Agree.	Paragraph updated
2.10	Para 73 (b)	This says <i>release</i> think this refers to registration so it may be better to use that term for more consistency with the UNC.	Agree	Redrafted wording: “Determine the date the requested capacity will be registered from, which may or may not be the date originally requested by the applicant”
2.11	Para 73 (e)	Publish may be more appropriate than <i>inform all users</i>	Agree, paragraph 73(e) will be updated.	Redrafted Wording:

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				“Publish relevant information relating to any capacity reservation, allocation, and/or substitution pursuant to the PARCA...”
2.12	Para 74	See point EUK-1.2 above	Agree, refer to EUK-1.2 response	Redrafted Wording: “may, at the completion of the Phase 1 PARCA Works, sign a PARCA and capacity will be reserved”
2.13	Para 82 & 92	This should be amended to make it clear that if a request is met through non-obligated exit capacity that cannot be withdrawn from that User / applicant. Rather if it is reduced at some point in time NG is not obliged to make non-obligated capacity available again at that point.	Agree. Additional wording for inclusion at the end of the paragraph to provide greater clarity will be considered.	Redrafted Wording “... in the event that there is a reduction at some point in the future.
2.14	Para 105	It may be more appropriate to replace <i>register</i> with <i>allocate</i>	Agree, the paragraph will be reworded.	Redrafted wording: “A Nominated User will not be registered as holding any reserved capacity until all the capacity reserved is designated by the Reservation Party to one or more Nominated Users
2.15	Para 108	Agree that allocation takes place before construction but isn't registration the date of delivery of the capacity?	Agree	Redrafted Wording: “National Grid may not undertake any construction activities to reinforce the NTS until all the capacity reserved is registered to one or more Nominated Users.”
2.16	Para 113	This seems to prevent reduction at points where there is an ongoing user	Whilst the reduction process is not	No Change

		commitment, unless meeting an incremental request at that point. However this also appears to prevent such points from being donor points for substitution, is this appropriate when such substitution could avoid investment?	currently under review as part of the PARCA review this is something that can be looked at as part of a subsequent ExCR review. This complicated by Substitution not always being appropriate where the donor point has an outstanding User Commitment. Different charges at the donor and recipient points and the exchange rate may result in the User Commitment at the recipient being much lower than at the donor point. This may undermine the User Commitment principle.	
2.17	Para 116b	Query whether ad-hoc reductions would be requested during phase 1 so that at end of phase 1 there is clarity over how the requested capacity can be delivered	Agree.	Redrafted wording: b) “After a PARCA has been deemed competent.”
2.18	Para 117 & 119	There appears to be an inconsistency here over whether reduction requests apply from a fixed date or a date specified by the User	The intention is that paragraph 117 states that the date when a reduction is required to align to the increase request whereas paragraph 119 provides a merit order to help select the appropriate reduction offer where dates differ from that stated in the invitation. The relevant part of paragraph 117 will be reworded to clarify.	Redrafted wording (para 117): “...The invitation will specify the date from which National Grid would like the reduction to apply from, to align with the effective date of release of the relevant Incremental Obligated Exit Capacity... ”
2.19	Para 149	The last sentence is rather confusing, it may be better to say enduring annual exit capacity can only be secured through the annual application window according to paragraph 76 and 89	Agree, relevant sentence to be clarified.	Redrafted wording: “Therefore, without a PARCA, Enduring Annual NTS Exit (Flat) Capacity will only be made available through the Application Window or the Ad-hoc

				Application process in accordance with paragraphs 76 and 89.”
2.20	Para 161	It may be better to say ‘Where a PARCA has been agreed and capacity reserved for future delivery, the PARCA applicant or a nominated User may submit a request for Long Term Non Firm NTS Exit (Flat) Capacity.	We agree that the paragraph should be reworded to clarify, including a reference to reserved capacity.	Redrafted wording (para 161): “Where a User has provided an Incremental Capacity Signal which has subsequently been allocated or reserved for a future date, that User, or a Nominated User as the case may be, will then be eligible to submit a request (during Gas Year Y) for Long Term Non Firm NTS Exit (Flat) Capacity. ”
2.21	Para 169 & 170	We are unclear where these provisions arise from? They may be inconsistent with the licence and we consider such rules should be fully explored through the UNC modification process.	Releasing additional within day capacity where a constraint exists or is likely to occur would not be efficient or economic if it would increase the cost of that constraint. We believe there are circumstances in which the restriction of day-ahead capacity release would also be appropriate in order to protect consumers from inefficient constraint management costs.	No change
3 ExCS				
3.0	Para 19g	If previously released incremental capacity becomes unsold once the User Commitment is met it is not clear why this capacity should not be available for substitution until re-classified. Surely any substitution that can avoid the need for investment should be considered.	The Licence only allows the substitution of Non-incremental Obligated Exit Capacity to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point. Consequently it is only possible to substitute such previously released incremental capacity once it has been reclassified as “Non-incremental	Footnote to be added: “The Licence only allows the substitution of Non-incremental Obligated Exit Capacity to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point. Consequently it is only

			<p>Obligated Exit Capacity” at the date defined in the Licence.</p> <p>A footnote will be added for clarification.</p>	<p>possible to substitute such previously released incremental capacity once it has been reclassified as Non-incremental Obligated Exit Capacity at the date defined in the Licence.”</p>
3.1	Para 19l	This clause has not changed it seems to give NG discretion over whether a project is ongoing or not, is this still required under the PARCA framework?	<p>Thank you for your comment. Having reviewed paragraph 19 further we believe that following a minor amendment to paragraph 19(b) the discussed paragraph, 19(l), becomes redundant and should be removed.</p>	<p>Redrafted wording (para 19b):</p> <p>“Capacity currently reserved (see sub paragraph j) will not be Substitutable Capacity...”</p>
3.2	Para 19m	Should this become Y+3 to be consistent with the proposed lead times in the licence?	<p>We believe this issue warrants further industry discussion and therefore we are not proposing to change the substitution timescales at this time.</p>	<p>No change</p>
3.3	Para 73 & 75	See point EUK-1.3	<p>See EUK-1.3 response</p>	