

Sarah Lloyd
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Dear Sarah

Re: Consultation on the NTS “Exit Capacity Substitution Methodology Statement” issued 11 December 2014

Thank you for the opportunity to respond to this consultation. As adjacent Transmission System Operators, the availability of capacity in both of our systems is of utmost importance to ensure the free flow of gas within the single market for Energy.

The European Capacity Allocation Mechanisms (CAM) Network Code will require, from November 2015, IUK’s Bacton entry/exit capacity to be sold as bundled products combined with National Grid’s Bacton entry/exit capacity. The new rules will require the technical capacity to be maximised on each side of the interconnection point (IP). This means that 630.1 GWh/day of NTS exit capacity and IUK entry capacity will be required for the IUK/National Grid bundled product exiting the NTS at Bacton.

Given that all firm capacity must be bundled at IPs under the new European rules, it is important to ensure that capacity either side of the IUK/NGG Bacton IP will be matched. Substituting National Grid’s NTS exit capacity away from the Bacton interconnector exit point would reduce the amount of capacity available to be bundled with IUK. The resulting residual IUK capacity would be less attractive to the market. This could have a potentially detrimental impact to GB liquidity as the sterilised capacity may not be maintained as available for GB supply.

We therefore support the continued approach outlined in this statement where IPs remain ring fenced from substitution. This recognises NGG’s obligations under the European Security of Supply Regulation and also Third Energy Package requirements in terms of making maximum technical capacity available cross border. We believe that this approach should also be taken in the entry capacity substitution methodology.

If you have any questions about our response please do not hesitate to contact me. We look forward to seeing the final methodology statement.

Yours sincerely



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Senior Regulatory Economist