

Sarah Lloyd
National Grid
National Grid House
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Dear Sarah,

RE – National Grid’s Consultation on Capacity Methodology Statements

British Gas Trading Limited has the following comments on the Capacity Methodology Statements.

We have two general comments:

1. A PARCA never guarantees that incremental capacity will be provided to a PARCA applicant. This may be due to planning approvals not being obtained or by the Authority’s vetoing of any capacity substitution associated with the delivery of the capacity. The methodology statements therefore need to be careful when making such claims.
2. Governance around the provision of incremental capacity is becoming very segmented and unwieldy. To fully appreciate the full picture that may relate to a PARCA an applicant would need to understand the provisions of: National Grid Gas Transmission’s licence; the Uniform Network Code; the relevant Capacity Release methodology Statement; the relevant Capacity Substitution Statement; and the PARCA contract.

Some specific comments on individual documents are as follows:

ExCR

Paras 12 and 13 – references to having guaranteed delivery of capacity needs to be more carefully caveated to reflect the fact that, in the case of PARCA applications, Ofgem could decide to veto substitution proposals towards the end of Phase 2. As such, National Grid cannot provide guarantees where capacity substitution provides part of the capacity delivery proposals.

Para 20 – suggest you refer to “quantity” instead of “volume” of “Incremental Obligated Exit capacity”.

Para 21 – the recognition that if the “Authority vetoes substitution proposals” that “this may mean that capacity is allocated in a smaller quantity than requested, is allocated with a longer lead time, or may not be allocated at all” emphasises the point made for paragraphs 12 and 13 – the PARCA process cannot guarantee delivery of capacity as planned where capacity substitution is being relied on. This is a major drawback and flaw with the PARCA process and we ask National Grid to consider what remedies might be considered and suggested to the Authority to overcome this.

Para 47 – similar comment as for paragraphs 12, 13 and 21 – the PARCA will not offer “certainty” where substitution is involved.

Para 69 – it would be useful to have transparency over when the Revenue Driver is agreed between National Grid and the Authority. Ideally, such agreement would coincide with any decision the Authority makes on the application of capacity substitution as part of the solution and for such decisions to take place close to the commencement of Phase 2 of the PARCA process.

Para 74 (c) the first word should be “may” not “shall” because the PARCA contract might provide for non-payment in the event that National Grid gives rise to the termination.

Para 115 It would be worth reconsidering whether the User Commitment restriction applying to potentially substitutable capacity should be removed as it could lead to sub-optimal decisions.

Paras 69 and 70 – we commented on these in October 2013 in response to your previous consultation on the ExCR and are pleased to note that these have been removed (although we are aware that you may want to revisit the proposals at a later date).

ExCS

Our main concern with capacity substitution (and this applies to both entry and exit) is the fact that the Authority will not make a reasonably early decision on whether or not to permit capacity substitution as part of the PARCA process. This undermines confidence in a process that set out to provide more certainty over the delivery of incremental capacity. As stated above, we urge National Grid to seek remedies to this situation.

Para 22 I – the limitation, that Non-Incremental Obligated Exit Capacity unsold before 1st October Y+4 is not substitutable, should be reviewed in the light of recent licence changes and the introduction of PARCAs. Our recollection is that this restriction was originally related to investment lead times. However, the rationale behind this ought to be reconsidered.

ECR

Paras 11, 83 and 106 – as with the ExCR, you need to ensure that suitable caveats are made when stating that provision of capacity will be guaranteed via a PARCA.

Paras 21 and 99 - we have the same concerns as with the ExCR – that a late veto by the Authority on capacity substitution will seriously impact on National Grid’s ability to meet a PARCA applicant’s capacity needs (as recognised in the final sub-paragraph of paragraph 23). Ideally, National Grid should seek a final decision on capacity substitution from the Authority early in Stage 2 of the PARCA process.

Para 101 (c) - the first word should be “may” not “shall” because the PARCA contract might provide for non-payment in the event that National Grid gives rise to the termination.

ECS

Para 50 – the default lead time of 42 months (for the delivery of Incremental Obligated Entry Capacity) ought to be reviewed in light of the emergence of PARCAs and changes to National Grid's licence. This might also necessitate a review of the rules surrounding capacity retainers, retainer windows and retainer refunds.

Para 89 – this is of concern. Does this mean that substitution of capacity from Interconnection Points (as a Donor ASEP) might be constrained by requirements to first ensure that capacity is made available for bundling with an adjacent TSO's capacity? We would welcome clarification and some examples.

Yours sincerely,

Graham Jack
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