

The Joint Office, Relevant  
Gas Transporters, shippers and other  
interested parties

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Dear Colleague

Special Condition 9B of 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"). As part of the bi-annual review, National Grid is obliged to consult with Shippers and other interested parties on proposed changes.

Previously the ECR Methodology Statement was known as the IECR (Incremental Entry Capacity Release Methodology Statement) and only covered the release of incremental entry capacity. The revised Licence for the RIIO-T1 period requires that the Statement also includes the release of non-incremental entry capacity. The existing IECR covering incremental capacity release is incorporated as an updated section of the proposed ECR.

Having reviewed the Statement and being conscious of potential developments identified through the proposed UNC Modification 0452 "Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)", National Grid is not proposing any material changes to the Statement as part of this consultation. Although a substantial number of changes are being proposed, the majority of these are necessary to align the Statement to be consistent with the revised Licence requirements and also reflect the potential implementation of UNC Modification 0449.

Previous consultations on proposed updates to the IECR have been undertaken in October such that a revised Statement could be in place for the QSEC auction in the following March. This review and consultation has been brought forward to minimise the risk of overlapping with the next review; which will be needed early in 2014 to ensure consistency with UNC Modification 0452.

The main changes in the proposed ECR are listed below:

- Updated Licence Condition references
- Revised Capacity Terminology
- Addition of the processes for the release of Non-incremental Obligated Entry Capacity, including
  - the different auction processes
  - the determination of quantities to be released; and

- the updated Long Term Summary Report
- Paragraph 101 updates the calculation of the annual discount factor for the NPV test from a fixed 8.3% to 5.05% plus inflation (inflation to be updated annually from the Ofgem finance model).
- Paragraphs 66 to 68 include a new section for the potential implementation of UNC Modification 449, “Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management”. This Modification, if implemented, will ensure UK arrangements are consistent with EU Regulation 715/2009.

Due to the extensive nature of the proposed changes, a table of changes is attached to this letter as Appendix 1. This table lists the changes proposed, together with a brief explanation.

In accordance with the above Licence condition, National Grid is required to consult on its proposals before submitting them to the Authority for approval. This letter therefore provides notice of the proposed Entry Capacity Release Methodology Statement and invites views on the proposal.

To assist in reviewing the proposed changes the following documents are available on National Grid’s website via:

[www.nationalgrid.com/uk/Gas/Charges/statements/transportation/iecr](http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/iecr)

- A clean copy of the consultation ECR: version 0.1;
- A marked comparison of the consultation ECR (v0.1) to the current approved IECR (v13.0); and
- The current approved IECR: version 13.0, effective 02<sup>nd</sup> January 2013.

National Grid would appreciate the comments of Shippers and other interested parties on the proposed changes to the ECR. Responses should arrive at National Grid by 17:00 on Friday 23<sup>rd</sup> August 2013. They should be sent by e-mail to: [lesley.ramsey@nationalgrid.com](mailto:lesley.ramsey@nationalgrid.com) and copied to [box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com)

Please ensure that a “read receipt” is requested to confirm that your response has been received.

Alternatively they can be sent by post to the above address marked for the attention of:  
“Lesley Ramsey”  
Transmission Network Services – Floor A1

Responses will be placed on National Grid’s website and incorporated within the consultation conclusions report. If you wish your response to be treated as confidential then please mark it clearly to that effect.

Yours sincerely

Andrew Fox

**Appendix 1: Explanation of Proposed Changes to the ECR.**

The ECR has been reviewed and proposals to update and bring into line with the RIIO-T1 Licence are detailed below. Further minor updates and housekeeping changes have been proposed along with the deletion of out of date sections,

<b>Original Paragraph number</b>	<b>New Paragraph number</b>	<b>Change Type</b>	<b>Description</b>
<b>Title Page and Document history</b>			
Document title and headers		Updated.	Revised title to reflect revised Licence obligation.
<b>About this Statement</b>			
Paragraph 1		Updated	Minor wording changes, revised terminology and deletion of reference to “incremental” capacity.
N/A	2 <sup>nd</sup> Paragraph	Addition	Explanation to distinguish between UNC and Licence defined capacity terms
2 <sup>nd</sup> to 6 <sup>th</sup> paragraphs	3 <sup>rd</sup> to 7 <sup>th</sup> paragraphs	Updated	Minor wording changes and revised Licence terms.
<b>General Information</b>			
Paragraph 1	Paragraph 1	No Change	
Paragraph 2	Paragraph 2	No Change	
Paragraph 3	Paragraph 3	No significant change	Minor revision: removal of TYS gas transported to consumers in quantity.
N/A	Paragraph 4	Addition	Clarification of scope of this Statement.
Paragraph 4	Paragraph 5	Updated	Licence reference added. Clarification of Obligated Entry Capacity term.
N/A	Paragraph 6	Addition	Reference to Non-obligated Entry Capacity added.
Paragraph 5	Paragraph 7	No significant change	Minor word change.
Paragraph 6	Paragraph 8	Updated	Minor clarifications and terminology updates.
Paragraph 7	Paragraph 9	No significant change	Minor clarifications and paragraph references updated
Paragraph 8	Paragraph 10	Addition	Increased detail on National Grid’s overriding obligations.
Paragraph 9	Paragraphs 11 to 13	Updated and additional text	Original paragraph divided to reflect additional scope (incremental plus non-incremental) of the Statement.  New Licence reference and terminology.
	Paragraph 14	Addition	Clarification on the availability of Obligated Entry Capacity and its terminology.
	Paragraph 15	Addition	Clarification on the release and terminology of Incremental Entry Capacity.
Paragraph 10	Paragraph 16	Updated	Minor wording changes. Update to distinguish between UNC and Licence terms.
Paragraph 11	Paragraph 17	Updated	Diagram revised to show relationship of revised capacity terms.
Paragraph 12	Paragraph 18	Updated	Licence reference updated.
Paragraph 13	Paragraph 19	No change	
Paragraph 14	Paragraph 20	Updated	Minor word change. Licence reference revised.

Paragraph 15	Paragraph 21	Updated	“Transporting Britain’s Energy” replaced with “Future Energy Scenarios”
Paragraph 16	Paragraph 22	Updated	Improved clarity on the driver for the release of additional Entry Capacity. Paragraph references updated.
	Paragraph 23	Addition	Explanation of a “PCA “ added
	Paragraph 24	Addition	Adds reference to non-investment ways of satisfying delivery of incremental capacity (e.g. substitution). Clarifies difference between National Grid’s internal planning activities and statutory planning processes for new infrastructure.
Paragraph 17	Paragraph 25	Updated	Revised Licence terminology
Paragraph 18	Paragraph 26	Updated	Minor wording changes and revised Licence terms and references
	Paragraph 27	Addition	References Part B as part of restructure of the IECR as the ECR.
Paragraph 19	Paragraph 28	Updated	Revised capacity terms and clarification on substitution terms. Minor wording changes.
<b>Chapter 1 – Principles</b>			
Paragraph 20	Paragraph 29	Updated	Licence reference updated. Wording changed to align to new, wider, scope of this Statement.
N/A	Paragraphs 30 to 32	Addition	Clarification of structure of Statement
<b>Part A</b>			
Part A is the significant additional element of the ECR required as a result of the new Licence obligation and covers the release of Obligated Entry Capacity (i.e. not incremental).			
<b>Chapter 2</b>			
N/A	Paragraphs 33 to 37	Addition	New section providing context to Part A added.
<b>Chapter 3</b>			
N/A	Paragraphs 38 to 44	Addition	Covers the processes by which Obligated Entry Capacity is made available.
N/A	Paragraph 45 to 54	Addition	Provides detail of the Long Term Summary Report. This includes the “obligation summary report” as required by the Licence.
N/A	Paragraphs 55 to 65	Addition	Details how the quantity of non-incremental capacity that National Grid will make available in each auction process is determined.
	Paragraphs 66 to 68	Addition	Reference added to ensure alignment with UNC Modification 449 (if implemented).
<b>Part B</b>			
Part B is substantially the original IECR as required under the old (and new) Licence obligation. It covers the release of Incremental Obligated Entry Capacity.			
<b>Chapter 4</b>			
	Paragraphs 69 to 72	Addition	New section providing context to Part B added.
<b>Chapter 5</b>			
Paragraph 21		Deleted	Covered elsewhere.
Paragraph 22	Paragraph 73	Updated	Revised terminology and minor wording

			changes.
Paragraph 23	Paragraph 74	Updated	Terminology updated. Note added to stress early notification required for ASEP to be included within the Licence.
Paragraph 24	Paragraph 75	Updated	Minor word change, paragraph references and terminology updated.
Paragraph 25	Paragraph 76	Updated	Minor wording, paragraph and terminology revision.
Paragraph 26	Paragraph 77	No change	Minor wording change.
Paragraph 27	Paragraph 78	Updated	Minor wording changes. References added in respect of revenue driver methodology. Terminology revised
N/A	Paragraph 79	Addition	Appropriate date defined.
N/A	Paragraph 80	Addition	Detail added regarding determination of revenue drivers. Reference to "NTS Entry Points" replaced throughout with "ASEP". This better reflects UNC.
Paragraph 28	Paragraph 81	Updated	Minor wording changes, paragraph references and terminology updated. Licence references added.
Paragraph 29	Paragraph 82	Updated	Minor wording changes, Licence references, paragraph reference and terminology updated.
Paragraph 30	Paragraph 83	No significant change	Amended capacity term.
Paragraph 31	Paragraph 84	Updated	Minor word change
Paragraph 32	Paragraph 85	Updated	Reference to new Entry Capacity notice added.
Paragraph 33	Paragraph 86	Updated	Minor word change and terminology updated.
Paragraph 34	Paragraph 87	Updated	Capacity terminology updated
Paragraph 35	Paragraph 88	Updated	Minor wording changes and terminology updated. Reference to "accelerated release" replaced with reference to new Licence condition.
<b>Chapter 6</b>			
Paragraph 36	Paragraph 89	Updated	Capacity terminology updated.
Paragraph 37	Paragraph 90	Updated	Capacity terminology and minor updates.
Paragraph 38	Paragraph 91	Updated	Additional wording to clarify that the pricing methodology also applies where capacity requests can be satisfied by substitution (i.e. movement of non-incremental).
Paragraph 39	Paragraph 92	Updated	Minor wording changes. Cross referencing added to the obligated release in chapter 3.
Paragraph 40	Paragraph 93	Updated	Terminology updated.
Paragraph 41	Paragraph 94	Updated	Minor wording, chapter reference and terminology updated
Paragraph 42	Paragraph 95	Updated	Paragraph reference and terminology updated
Paragraph 43	Paragraph 96	Updated	Minor wording changes and terminology updated.
Paragraph 44	Paragraph 97	Updated	Minor wording change.
Paragraph 45	Paragraph 98	Updated	Terminology revised. Reference to obligated quantity in Licence replaced with Statement references.
Paragraph 46	Paragraph 99	Updated	Minor wording changes and terminology updated
Paragraph 47	Paragraph 100	Updated	Minor wording changes and terminology updated.

Paragraph 48	Paragraph 101	Updated	Minor wording changes. Paragraph reference updated. The annual discount factor has been reviewed and revised..
Paragraph 49	Paragraph 102	Updated	Paragraph reference and terminology updated.
Paragraph 50	Paragraph 103	No significant change	Minor wording changes
Paragraph 51	Paragraph 104	Updated	Minor wording changes and terminology updated. Reference to Non-obligated expanded to cross refer to new chapter 8.
Paragraph 52	Paragraph 105	Updated	Minor wording changes. Licence reference revised.
Paragraph 53	Paragraph 106	Updated	Licence reference updated and minor wording change.
Paragraph 54	Paragraph 107	Updated	Deletion of superfluous text.
Paragraph 55	Paragraph 108	Updated	Paragraph reference updated. Extra detail added to limit ability to extend lead times.
Paragraph 56	Paragraph 109	No change	
Paragraph 57	Paragraph 110	Updated	Minor word change and terminology revised.
Paragraph 58	Paragraph 111	Updated	Paragraph reference updated
Paragraph 59	Paragraph 112	No change	
Paragraph 60	Paragraph 113	Updated	Paragraph references updated
Paragraph 61	Paragraph 114	Updated	Paragraph reference within diagram updated
Paragraph 62	Paragraph 115	Updated	Minor terminology change.
Paragraph 63	Paragraph 116	Updated	Paragraph references changed.
Paragraph 64	Paragraph 117	Updated	Paragraph references updated
Paragraph 65 to 70	N/A	Deleted	Covers "accelerated release: moved to Chapter 8 (Non-Obligated capacity).
<b>Chapter 7</b>			
Paragraph 71	Paragraph 118	Updated	Minor wording changes and terminology revised
Paragraph 72	Paragraph 119	Updated	Minor wording changes and terminology revised
Paragraph 73	Paragraph 120	Updated	Minor terminology changes..
Paragraph 74	Paragraph 121	Updated	No change
Paragraph 75	Paragraph 122	Updated	Capacity terminology updated
Paragraph 76	Paragraph 123	Updated	Capacity terminology updated
Paragraph 77	Paragraph 124	Updated	Capacity terminology updated
Paragraph 78	Paragraph 125	Updated	Minor terminology revision.
Paragraph 79	Paragraph 126	No change	
Paragraph 80	Paragraph 127	No change	
Paragraph 81	Paragraph 128	Updated	Minor wording change
Paragraph 82	Paragraph 129	Updated	Paragraph references updated. Minor wording changes and terminology revised.
Paragraph 83	Paragraph 130	Updated	Terminology revised. Detail of the composition (for Licence purposes) of Obligated Entry Capacity added.
Paragraph 84	Paragraph 131	Updated	Terminology revised.
Paragraph 85	Paragraph 132	Updated	Terminology revised.
Paragraph 86	Paragraph 133	Updated	Minor word change and terminology revised.
Paragraph 87	Paragraph 134	Updated	Terminology revised.
Paragraph 88	Paragraph 135	No change.	
Paragraph 89	Paragraph 136	Updated	Terminology revised.
Paragraph 90	Paragraph 137	No change	
Paragraph 91	Paragraph 138	Updated	Change to start of process for inclusion of

			new entry point and RD in the Licence: National Grid starts. Terminology and paragraph references updated. Reference to Licence condition requiring RD methodology added.
Paragraph 92	Paragraph 139	No change	
Paragraph 93	Paragraph 140	Updated	Chapter reference added and terminology revised.
N/A	Paragraph 141 to 148	Addition	New chapter added to detail the release of Non-obligated Entry Capacity
Appendix 1	Appendix 1	Updated	Terminology revised. Note added regarding potential release of non-obligated capacity if NPV test is failed.