



**Entry Capacity Transfer and Trade
Methodology Statement Consultation
Conclusions Report**

22nd February 2008

Consultation Report - Proposed Entry Capacity Transfer and Trade Methodology Statement

Executive Summary

Introduction

Special Condition C8D paragraphs 11 and 12 of National Grid Gas' Gas Transporter Licence in respect of the NTS (the "Licence") sets out obligations to prepare and submit for approval by the Authority entry capacity transfer and entry capacity trade methodology statements setting out the methodologies that the licensee "NG NTS" will use to facilitate entry capacity transfers and entry capacity trades. In addition, NG NTS is obliged to consult with relevant shippers prior to modifying the methodologies. NG NTS considers that it is appropriate to prepare a single document to meet these proposed obligations.

On 31st August 2007 NG NTS submitted to the authority proposals for the Entry Capacity Transfer and Trade Methodology Statement ("T&T MS"). These proposals were developed to align to UNC Modification Proposal 0169 ("Transfer and Trading of Capacity between ASEPs") which only covered winter 2007/08. On 6th September 2007¹ the Authority approved the proposals.

Subsequently, NG NTS, together with the industry, developed enduring proposals for entry capacity transfer and trade. This resulted in the raising of UNC Modification Proposal 0187 (and 0187A) ("Alterations to the RMSEC Auction to Accommodate Transfer and Trade of Capacity between ASEPs"). NG NTS has reviewed the T&T MS and proposed alterations to meet the requirements of proposal 0187 (and 0187A) and also to meet some of the concerns raised in respect of the original T&T MS. On 19th December 2007 NG NTS invited views in respect of the revised proposals to be made by 17th January 2008 (subsequently extended to 8th February 2008).

UNC Modification Proposal 0187 has been raised by NG NTS to support the principle and process for entry capacity transfer and trade. Reference should be made to the proposal and the modification report for details of proposed UNC processes; this methodology statement supports the Licence and UNC modification proposals in defining the methodology for determining entry capacity transfer and trade exchange rates. In order to become effective it assumes that the UNC modification proposal is approved and implemented.

This document sets out National Grid NTS's conclusions on its consultation on the proposed Entry Capacity Transfer and Trade Methodology Statement. It provides a summary of the representations received, NG NTS's response and an indication of whether changes have been made to the proposed statement.

¹ Approval of the Entry Capacity Transfer and Trade Methodology Statement – Ofgem ref 220/07 – 6th September 2007.

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Responses

Representations were received from the seven respondents listed below.

EDF Energy (EdF)
BG Gas Services (BGGs)
Scottish and Southern Energy (SSE)
RWE npower (RWE)
Scottish Power (SP)
E.ON UK plc (EON)
Statoil UK (Stuk)

The majority of responses acknowledge the advances of this methodology over the interim methodology with few comments on the specific detail. Those comments focusing on the methodology relate to

- lack of clarity as to the meaning of “material increases in costs”.

NG NTS believes that it is not appropriate to put a precise definition (in monetary terms) on “material”. However, an improved statement on how “material” will be determined is proposed (see 2.1 below).

- The assumptions made to derive appropriate supply and demand data.

Individual points have been addressed in the table below.

- Other constraint costs.

The most likely cost impact of unlimited transfer and trade of capacity would be an increase in capacity buy-back costs. Hence the methodology defines how NG NTS will identify an increase in buy-back risk. However, transfer and trade of capacity can increase costs in other ways which, to comply with the Licence, NG NTS should take reasonable endeavours to avoid. Examples of these costs are given (see 4.1 below).

Most responses raise more general issues some of which should be addressed outside the statement. The main comments are:

- The need for an audit, or regulatory oversight, of the application of the methodology to reassure Users that the maximum quantity of capacity is reallocated consistent with Licence obligations.

The proposal for an audit of the interim Transfer and Trades process has been accepted and will be undertaken following agreement of the scope. NG NTS believes that the outcome of this audit should be considered before commitment is made to auditing of enduring arrangements. However, NG NTS will cooperate with Ofgem if further independent auditing is required.

- Respondents have differing views regarding potential changes to the risk of individual parties. E.ON suggests (5.4) that the methodology is being used by NG NTS to reduce its own risk. However Statoil UK (3.6) and Scottish Power (6.2) are concerned that the methodology will risk their existing capacity rights or ability to access existing capacity.

NG NTS believes that it has developed a tool that assists some Users to manage their risks (i.e. facilitates movement of capacity) without significantly increasing the risk to other Users or reducing NG NTS's risks.

- RWE recognises the complexities of the transfer and trade process (2.2, 3.2) and believe that publication of additional information would improve transparency and understanding.

NG NTS will consider whether information, in excess of that required by UNC modification proposal 0187, can be made available.

Detailed comments from respondents and NG NTS's response to these comments are provided in the following table.

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Party	Issue	Response Quotes	National Grid NTS Response	Proposed changes
1 – Audit / Regulatory Scrutiny.				
1.1 EdF	Requirement for Audit	As a Gas Shipper without access to NGG’s planning model EDF Energy is unable to identify whether the proposed methodology is consistent with the economic and efficient operation of the pipeline system. We therefore believe that it would be prudent for both the interim and enduring model to be audited. This will provide the industry with assurance regarding the operation of these new arrangements, and also help to inform the development of any enduring regime.	The proposal for an audit of the interim Transfer and Trades process has been accepted by Ofgem and will be undertaken following agreement of the scope. NG NTS believes that the outcome of this audit should be considered before commitment is made to auditing of enduring arrangements. NG NTS believes that any decision whether or not to undertake an audit is external to the T&T MS and should not be detailed in the T&T MS.	
1.2 BGS	Regulatory Scrutiny	<p>Although NG has laid out a reasonable procedure for determining demand levels based on highest and lowest demand levels over the previous 5 years, there is still an element of discretion available to NG when determining what demand levels NG will use. BG recognises that this is inevitable, given the nature of the system, changing demand patterns and so forth; nonetheless it is a weakness of the regulatory framework that there is no regulatory scrutiny mechanism to check if NG is being reasonable in its approach.</p> <p>NG has similar discretion when it comes to supply scenarios as these are based on a “reasonable assessment of a credible “difficult” supply situation.” Again the concern is not</p>	<p>As the comment suggests, the methodology is clear in identifying the potential range of demand that might be experienced in the Transfer and Trade period being considered. The element of NG NTS discretion arises when deciding at what level(s) within that range analysis will be undertaken. As the intent of the methodology is to identify the point (in terms of capacity movement) where an increase in physical constraints occurs the analysis should be undertaken at ALL potential demand level. This is because constraints do not only kick-in at high demand. As time will not permit analysis at many demand levels NG NTS will select a limited number of levels for assessment (para 24). Hence there is a risk that the exchange rate should be determined at a level that is not assessed, resulting in an excessively high exchange rate. NG NTS has concluded that this risk is acceptable and does not give rise to a material increase in costs.</p> <p>As discussed above, due to time and resource limitations it is not possible for NG NTS to study all possible supply patterns that may cause</p>	

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		that NG should have exchange rates or the scenarios used to determine them predefined as this would not be practical in a dynamic and evolving system such as the NTS. Rather it is that there is no means of checking if NG has indeed been “reasonable” in its approach.	constraints. NG NTS will use operational experiences and historical flow patterns to construct test scenarios. However, to address concerns previously raised by the industry, greater detail has been provided (para. 29) on how supply scenarios will be derived. With regard to “checking” NG NTS will cooperate with the Regulator to demonstrate that any assumptions taken are reasonable.	
1.3 SSE	Requirement for Audit	<p>Key to the amount of capacity made available for Trade & Transfer covered by this methodology are the assumptions. SSE has no way of knowing if these assumptions are representative of the network and are optimal.</p> <p>SSE has been supportive of the requests for an independent review and formally makes this request again. The assumptions that SSE would like to be confirmed as appropriate, without releasing commercially sensitive data, are the:</p> <ul style="list-style-type: none"> • Demand levels • Exchange rates • Stability limits • TBE “flexed scenarios” • Definition of “avoid material increase in costs” <p>Once SSE has been given comfort from the external review that the assumptions are appropriate we would be supportive of the methodology. Until then SSE is unable to have confidence in the assumptions and as a result the methodology.</p>	<p>The proposal for an audit of the interim Transfer and Trades process has been accepted by Ofgem and will be undertaken following agreement of the scope.</p> <p>NG NTS believes that the outcome of this audit will demonstrate that the assumptions were representative of the network and that the maximum amount of capacity was transferred and traded consistent with Shipper bids and the interim methodology.</p>	
1.4 EON	Requirement for Audit	<p><i>Many of our concerns relate to the lack of transparency associated with the proposed arrangements and we believe that any enduring solution must place transparency and simplicity at the top of the agenda.....</i> As you will be aware, Shippers will be shortly initiating an audit of the interim trade and transfer arrangements, which should address major industry concerns, such as the lack of transparency in the calculations underlying the methodology and use of data, the apparently conservative nature of the</p>	<p>The proposal for an audit of the interim Transfer and Trades process has been accepted by Ofgem and will be undertaken following agreement of the scope.</p> <p>NG NTS believes that the outcome of this audit will demonstrate that the assumptions and methodology were not unduly conservative and that the process was not used to reduce buy-back risk but was used to maintain it. In the</p>	

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		model inputs and concern that this methodology could be used to actually reduce the level of buyback risk agreed as part of the TPCR package. Until this process is completed and the results shared, it makes it very hard for us to comment on the detail of the methodology statement, given the lack of supporting data.	revised T&T MS (and mod 187) NG NTS believes it has put forward proposals that will increase the quantity of capacity moved between ASEPs.	
2 – Material Increase in costs / Buy back risk				
2.1 EdF	Definition of “Material Increase in Costs”	We would also note that central to the methodology is NGG avoiding “material increases in costs”. We would therefore seek clarity as to what NGG has classified material, and how it has reached this view. We would further seek clarity as to how NGG has modelled this in relation to the entry capacity buy back incentive. We believe that this concept is fundamental to the entire methodology and further transparency is required to inform Shipper responses and ensure that the impact of the methodology is as Ofgem intended.	<p>NG NTS believes that the methodology is consistent with the Licence which requires that Transfers and Trades do not result in “material increases in costs..... to be incurred by [NG NTS]” or, therefore, other Shippers. NG NTS has interpreted this primarily as avoiding increases in buy-back costs over and above that agreed as part of TPCR package. In respect of buy-backs “materiality” is defined as those buy-back costs determined under the credible supply scenarios studied.</p> <p>Buy-back costs are highly dependent upon supply patterns, which are becoming increasingly uncertain. Transfer and Trades adds further complexity with changing flows at the recipient and donor ASEPs. It is not feasible for NG NTS to consider every supply pattern that may cause an increase in buyback costs over and above that that would be expected without Transfer and Trade. Therefore, NG NTS has proposed to use a set of test supply scenarios to identify incremental buyback risks. However, it is possible that there are supply patterns which could cause incremental buyback costs but are not studied, or are considered unlikely. NG NTS considers these incremental buyback risks are, for the purpose of the licence obligation, “non-material”. This does not mean that these scenarios, and the associated increase in costs, will not occur.</p> <p>In terms of buy-back costs a “material increase in costs” is defined in paragraph 44. However, consistent with paragraphs 18 and 42, NG NTS</p>	<p>Expand (additional section in red) paragraph 14 to define “Material Increase in costs” as below.</p> <p>The methodology described in this statement has been developed to best meet the capacity trade and capacity transfer objectives detailed in paragraph 8. Specifically a “material increase in cost” will occur where a transfer or trade is anticipated, in accordance with the assumptions and analysis defined in this methodology, to result in a network failure requiring constraint management action. Any increase in constraint management costs in excess of that expected in the absence of any proposed transfer or trade is considered a “material increase”. For the avoidance of doubt, any constraint management costs arising from circumstances that NG NTS has considered, in applying this methodology, unlikely to occur will be</p>

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			<p>considers that in some cases the risk has a low probability so the increased cost is considered non-material.</p> <p>In addition to capacity buy-backs other costs may be considered material. These are listed in footnote 1 and paragraph 19.</p> <p>NG NTS has sought to improve clarity in how materiality (and non-materiality) will be determined.</p>	<p>considered "non-material". This does not mean that such circumstance and costs will not occur.</p>
2.2 RWE	Information provision	<p>We recognise that the methodology used to determine the exchange rates applied to transfers and trades of entry capacity between donor and recipient ASEPs is complex, and is heavily dependent on National Grid's interpretation of their obligation to avoid material increases in cost. We have no specific issues with the methodology itself but with this in mind, we believe it is imperative that National Grid provide a reasonable degree of transparency about any assumptions they have made in the event they cannot facilitate transfers and trades for this reason.</p>	<p>If implemented, mod 187 will require NG NTS to publish a range of information including allocated quantities and aggregate exchange rates.</p> <p>In the event that little or no capacity is allocated as a result of Transfer and Trades NG NTS will, subject to any confidentiality issues, provide additional information by way of an explanation.</p>	
2.3 BGGS	Definition of "Material Increase in Costs"	<p>Throughout the document it refers to the fact that Transfer & Trade should not result in "a material increase in costs". However this term is not defined and therefore leaves NG considerable discretion as to how much capacity it will transfer.....</p> <p>.....Furthermore it does not take into account other elements of costs, namely the impact on wholesale gas prices of insufficient entry capacity.....</p> <p>....Currently there is no mechanism for regulatory scrutiny of NG's assumptions</p>	<p>See 2.1 above.</p> <p>The Licence refers to "avoiding material increases in the costs incurred by the licensee". Hence the impact on wholesale gas prices is outside the scope of the T&T MS.</p> <p>See 1.2 above.</p>	

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		regarding “materiality” of costs and therefore no way of ensuring that NG has released the maximum amount of capacity possible.		
2.4 Stuk	Conflict with UNC mod proposal	It is also entirely appropriate that Transfers and Trades should not be accepted if it leads to a ‘material increase in costs’, including entry capacity buy back costs or other constraint management costs. There appear to be inconsistencies, however, with the Code Modification proposals 0187 and 0187A, where both Proposers state that implementation of their proposal has the potential to affect the operation of the System by increasing physical constraints, which may require commercial actions. This does not inspire confidence in the proposed regime.	The methodology is designed to avoid material increases in costs, particularly constraint management costs. However, the methodology is limited in that it does not assess all scenarios (see 1.2 above) so there is potential for increased physical constraints resulting from the application of generous exchange rates. The methodology is a balance between conservative exchange rates with guaranteed no increase in physical constraints against higher exchange rates with some additional risk of physical constraints.	
3- Supporting Data / Assumptions				
3.1 EdF	Supply / Demand data	<p>We would further note that NGG’s determination of supply and demand scenarios will have a significant impact on the amount of capacity that could be reallocated as a result of this methodology and the exchange rates that are employed. We therefore welcome NGG’s intention to model these scenarios using both the most up to date TBE data and historical patterns. However we would make the following observations:</p> <ul style="list-style-type: none"> • Whilst NGG is using a forecast of supply from the TBE, it is relying on historical consumption patterns for demand. We would therefore seek clarity as to why NGG has taken these different approaches? • NGG have indicated that they will adjust their demand “forecast” “to take account of any significant changes in demand”. We believe that it would be useful were 	<p>To identify the most appropriate scenarios for analysis both historical and forecast data are used to determine both supply and demand assumptions. (See paragraph 24 – demand; paragraph 27 and 29 third bullet – supply).</p> <p>Paragraph 24 sets out a process for defining a range of demand levels for analysis. NG NTS may consider demand levels outside of this range to take</p>	<p>Add footnote to “significant”. Examples of a “significant change in demand” would</p>

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		<p>NGG to identify what these significant changes are, and what they classify as significant?</p> <ul style="list-style-type: none"> We would also seek clarity as to what NGG's assessment of a "credible" difficult supply situation would entail. We would note that any "difficult" supply scenarios may provide an appropriate indication of future supplies, but would question how a theoretical supply scenario could be more credible. 	<p>account of "significant changes in demand". This could be where weather forecasts indicate extreme high or low demand or where major new gas consuming plant is commissioned. "Significant" would be classified as being outside the range determined by the process set out.</p> <p>A difficult supply situation is one where supplies are assumed to be high at ASEPs close to the recipient ASEP under consideration. In this scenario adjacent supplies will limit the scope for additional supplies at the recipient ASEP. However, it may not be credible that all adjacent ASEPs flow at maximum capability. Hence, by using "credible" scenarios NG NTS will exclude extreme scenarios which would place excessive limits on exchange rates. This is achieved by taking a minimum of five historical supply patterns (paragraph 29 fifth bullet point). As such patterns have previously occurred we believe that it is credible to assume that they can re-occur. By averaging these historical scenarios the extremes will be removed. NG NTS will use market intelligence to determine how scenarios should be modified to account for new ASEPs.</p>	<p>be extreme weather forecasts or commissioning of a new interconnector or consuming plant that take anticipated demand outside that otherwise derived in accordance with this methodology.</p>
3.2 RWE	Information provision	<p>We also think it would be helpful to industry participants, at least in the first instance, if National Grid publish brief details of the relevant assumptions they have made and how the methodology was followed in calculating the specific exchange rates used in any inter nodal transfers or trades allocated. This should, over time, better familiarise shippers with how the methodology will be applied in practice and give them confidence that the methodology is indeed allocating unsold and surrendered entry capacity efficiently.</p>	<p>Relevant assumptions are provided in the T&T MS. However, NG NTS will consider whether additional information e.g. demand levels considered, can be provided after allocations to help industry understanding.</p>	
3.3 SP	Basis of data used	<p>We are supportive of the physical and historic flow basis of the modelling, and the basis for the calculation of exchange rates.</p>	<p>Noted</p>	
3.4 EON	Explanation of parameters used in interim	<p>Although we are fully aware that the underlying principles have changed, we are disappointed that National Grid hasn't directly addressed concerns raised</p>	<p>In response to industry concerns NG NTS has proposed enduring arrangements that should facilitate greater movement of capacity and</p>	

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	process.	in regard of the “interim” charging methodology; specifically: <ul style="list-style-type: none"> • <i>The need for greater transparency in determination of the ‘NAM’s, ‘ZAM’s and inter-zonal exchange rates;</i> • <i>The need for greater transparency with respect to underlying assumptions and the data used;</i> • <i>Provision of a rationale for the choice of data;</i> • <i>Provision of a rationale for the 150% cap rule;</i> • <i>Provision of a rationale for the definition of zones;</i> 	removes some of the complexities of the interim arrangements. Hence NG NTS feels that it is no longer necessary to detail process relating to interim processes, particularly within the T&T MS relating to the enduring arrangement. However, this may be covered by the audit referred to in 1.1 above.	
3.5 EON	Demand data	In Appendix 1, what does “average maximum” and “average minimum” mean in the column headings? Para 24 suggests it is just the maximum and minimum, so where does the “average” come from?	The second paragraph in 24 clarifies. “To avoid using extreme scenarios that could limit the potential Exchange Rate the average of the five annual high levels.....will be determined.”	
3.6 Stuk	Existing rights	Much of the assumptions made in the Statement are untested and, therefore, render it difficult to respond with any certainty, as to the most appropriate route to facilitate the Trade and Transfer of capacity and the extent to which such a process risks Users’ existing capacity rights and the integrity of the System.	To a certain extent, the Transfer and Trade process was tested under the interim arrangements. NG NTS has developed enduring proposals that it believes are consistent with its Licence obligations and also take into account the experiences and industry feedback on the interim arrangement. In doing so the impact on Users’ existing capacity rights should be low, but, as stated in 1.2, the risk is not zero.	
4 – Methodology				
4.1 BGS	Other constraint costs	It is not clear what is meant by “other constraint costs” which are not buyback costs, as a reason to reject Transfers & Trades. These should be more clearly explained.	This is covered by the footnote on page 6	
4.2 SP	ASEP to ASEP	We want to ensure that prices paid are cost-reflective inasmuch as they reflect the costs of providing capacity at the entry point and not generalised across the system based on constraints at particular points in certain areas. We are pleased that the methodology is undertaken on an ASEP to ASEP basis.	The T&T MS is independent of pricing. It is merely the process by which donor ASEPs are identified and Exchange Rates determined. ASEP to ASEP methodology should increase the quantity of capacity reallocated.	
4.3 EON	Other constraint costs	Para 19 is very vague. Surely, if National Grid identifies so-called “other factors”, they should initiate a change to the methodology which must go through the normal governance channels, rather than just giving National Grid complete (and unacceptable) discretion.	NG NTS has an obligation to avoid material increases in costs. NG NTS has identified a number of potential cost triggers (see footnote on page 6), but it is not reasonable to expect NG NTS to identify them all. Bearing in mind the overriding obligation, NG NTS must be able to	

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			take account of, currently, unknown factors.	
4.4 Stuk	Existing commitments	STUK welcomes NGG NTS's assurances that Trades and Transfers shall not be accepted if it leads to existing (and committed) commitments not being maintained.	Noted	
4.5 EON	Existing commitments	The first bullet point of Para 35 is very vague. National Grid should make sure that this methodology is, and continues to be, consistent and compliant with "regulatory and commercial agreements and statutory instruments". It is not acceptable for these to be quoted as an excuse for not accepting a trade or transfer.	The methodology is, and will continue to be, consistent and compliant with agreements etc. NG NTS believes that it not only acceptable, but essential, that regulatory and commercial agreements define whether or not to accept a transfer or trade.	
4.6 EON	Re-balancing	In Para 45, it is not clear where NG will increase supplies to maintain a supply/demand balance. Based on the example in the appendix, it looks to be the same ASEP as was used in para 42(f).	The assumption is correct.	
4.7 Stuk	Avoidance of Increased Risk	Generic exchange rates provided market participants with certainty of allocation, whereas specific exchange rates, as proposed for the enduring regime, should lead to more capacity available for Trades and Transfers but less certainty. We would welcome further analysis to ensure that the appropriate level of capacity is made available for allocation, without increasing risk.	NG NTS welcomes the acknowledgement that the proposal should lead to more capacity available for Trades and Transfers. NG NTS will investigate whether further analysis of the potential exchange rate can be provided. However, it is not clear how "without increasing risk" can be demonstrated.	
5 – General				
5.1 EdF		EDF Energy has supported the development of this transfer and trade mechanism through the Transmission Workstreams. We have welcomed NGG's approach to these meetings whereby they have sought to listen to industry views on these matters and incorporate these into an enduring solution that builds upon the lessons learned from last years TTSEC Auction.	Noted	
5.2 BGGs		The draft statement is a clear exposition of the factors that NG proposes to take into account when calculating Transfer Rates. However we have some concerns which are outlined below. Many of these are similar to those we expressed in our response to the previous consultation on the Trade and Transfer Methodology statement last year. It is to be welcomed that NG's Methodology Statement is more detailed	Noted	

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		than the previous version, and that NG has explained in more detail how it will determine exchange rates by analysing demand and supply scenarios. The Statement is an improvement on the previous version.		
5.3 SP		We appreciate all the work undertaken to develop an enduring regime for the trade and transfer of capacity. Our view is that the parameters for any regime that can have profound impacts on stakeholders in the energy market should have adequate consultation and discussion prior to implementation or inclusion in the National Grid licence. We have found it particularly difficult to follow the rushed changes and had issues with the outcomes of methodologies applied retrospectively. In this case we are pleased to support the basis of a methodology that should be able to make additional capacity become available to the market.	Noted	
5.4 EON	Balance of risk	We are pleased that National Grid has invested considerable efforts into developing a workable trade and transfer solution, but we are very concerned that what has been produced at the end of the process has effectively become a tool for NG NTS to help manage its own risk rather than a tool for Shippers to manage theirs. As such, we consider the proposed arrangements and the accompanying charging methodology to be much less user-friendly than the recent winter 2007/8 'interim' arrangements.	NG NTS has developed processes to facilitate the transfer and trade of capacity, i.e. to provide a tool for Shippers to manage their risk. In doing so NG NTS has been aware of the risks to other Shippers (see 2.4 and 3.6) and of its Licence obligation with respect to costs. The process is intended therefore, to avoid increases in NG NTS's risk profile, but not to decrease it.	
5.5 BGGs	Scrutiny of NG NTS	The key problem with the "new" entry capacity regime consisting of lower baselines, transfer & trade, and substitution is that it requires closer monitoring of NG to ensure that the maximum amount of capacity is being released to the market, to facilitate gas flows to the market. Without such monitoring there is a real risk that, by taking a conservative approach, the capacity that NG makes available is less than it could be.	Noted. "Monitoring of NG" is an issue for Ofgem.	
5.6 Stuk		STUK remains concerned, however, that the proposed Methodology Statement does not facilitate Trades and Transfers, to the extent of being compatible with the physical capabilities of the NTS and avoiding material increases in costs.	See 5.4	
5.7 Stuk	Overall regime change process	STUK would like to take this opportunity to raise our concern that at no point during this process have all the detailed changes to the entry regime been considered holistically, nor the interaction with the exit regime. Clearly, changes proposed to any aspect of the entry regime will	NG NTS acknowledges the concerns raised. However, these issues were considered together in the various consultations in the	

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		<p>consequently impact other areas of the regime, with the potential for unintended consequences.</p> <p>At present, changes to Gas Entry baselines, substitution (at entry and exit), charging, with respect to identifying 'spare capacity' and Entry Capacity reserve price discounts, changes to long-term auction dates and possibly extra medium term-auctions, required to take account of changes to baselines are some of the areas being consulted on. All of these areas will, to a greater or lesser degree, have interactions, which cannot be fully understood, unless considered as a whole. STUK would recommend that industry working groups, specifically designed to consider all of the changes holistically, are established at the earliest opportunity to ensure that stakeholders fully understand the changes being proposed, what issues the proposals seek to address and whether certain changes actually address the same issue and, therefore, can potentially be tied into one. The value of such industry discussion cannot be underestimated in facilitating workable, economic and efficient solutions to address identified weaknesses in the current regime.</p> <p>We acknowledge that the purpose of this consultation is to canvas specific views on the Entry Capacity Transfer and Trade Methodology Statement, however, the success or otherwise of any change to the entry regime is, to differing levels, dependent on what changes are implemented in other areas. It is for this reason that we have felt it necessary to ask for all proposals to be considered holistically, to ensure that any changes proposed, work in unison and do not cancel out or conflict with each other or do not result in unintended consequences which might otherwise be overlooked.</p>	<p>PCR.</p> <p>Notwithstanding this NG NTS has been conscious of the time pressures placed on NG NTS and the wider industry to introduce new processes. This has necessitated individual elements of the regime being developed in isolation. In developing these processes NG NTS has, where possible, taken account of other aspects of the regime. However, we would be prepared to consider assisting in a workshop looking holistically at the regime provided that this does prevent NG NTS meeting its Licence obligations to introduce these new processes.</p>	
6 –Miscellaneous				
6.1 SP		<p>This statement is also important in that it legitimises to some extent trading behaviours that could potentially be abused in the form by key players could result in winners and losers and unintended outcomes. We agree that the trades & transfer methodology statement, together with mod 0187, should meet the relevant objectives to ensure that we can make effective use of the capacity available on the NTS while ensuring that we pay due attention to the physical capabilities of the system.</p>	Noted	

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6.2 SP	Existing demand at potential donor ASEP	<p>We agree with the principles of making sure capacity at any ASEP (sold or unsold) does not become sterilised but if not required should be made available to the market and an exchange rate should be used to make that capacity available at an appropriate rate. Clearly, we have a variety of different types of entry point across the system, which use capacity in a different way. We believe that we should be looking at options that further differentiate the capacity product (in terms of the bundled way capacity is sold).</p> <p>Whilst we agree that we should seek to maximise the availability of firm capacity at locations where the demand for capacity exists during the constrained period, we want to emphasise that this relates to all points on the system. If there is sufficient demand at one point on the system, then capacity should not be moved from there to another point – this is inefficient and creates additional constraints. Only capacity that is not required at the ASEP at which it is purchased should be able to be moved to another zone or ASEP.</p>	<p>Noted</p> <p>Any differentiation, if agreed, should be introduced to UNC not the T&T MS.</p> <p>These rules are included within mod proposal 187.</p>	
6.3 SSE	UNC	<p>On a separate point SSE would question the reason and value for having a separate methodology statement. SSE would see value in having the methodology text included in the UNC as part of a modification proposal, thereby, ensuring a single source for documents that impact on the industry.</p>	<p>The T&T MS is a requirement of the Licence.</p>	