

Issue	Revision
2	0

Interim and Transitional NTS Exit Capacity Release Methodology Statement

Effective from 1 July 2007

national**grid**

DOCUMENT HISTORY

V1.0	May 2005	Interim IExCR published at hive-down
V1.1	25th Aug 2005	For industry consultation to include requirements for transitional arrangements
V1.2	25th Nov 2005	For industry re-consultation to include requirements for transitional arrangements
V1.3	4th January 2006	Final proposals – vetoed by Ofgem
V1.4	18th January 2006	Revised Final Proposals
V1.5	July 2006	Annual submission to Ofgem
V1.6	April 2007	For industry consultation, extend transitional period to 2011. amend Initial Volume Allocations
V1.7	June 2007	Industry comments included. Clarification added to Flex rules and IVAs.
V2.0	August 2007	V1.7 approved by Ofgem.

ABOUT THIS DOCUMENT

This document describes the methodology that National Grid Gas NTS (“National Grid”) employs for the release of all “incremental exit capacity” (as defined in Special Condition C18 of National Grid’s GT licence) for use up to 30 September 2008 (the “interim period”), and from 1 October 2008 to 30 September 2011 (the “transitional period”). This document is one of a suite of documents that describe the charges levied by National Grid and the methodologies behind them. The other documents are available on our Charging website at:

<http://www.nationalgrid.com/uk/Gas/Charges/statements/>

This statement is effective from 1 July 2007.

This document has been published by National Grid in accordance with Special Condition C18 of its Gas Licence in respect of the NTS and is approved by the Gas and Electricity Markets Authority (the Authority).

If you require further details about any of the information contained within this document or have comments on how this document might be improved please contact our UK Transmission Charging team on **01926 656310 or 01926 656217**, by e-mail to “Box.transmissioncapacityandcharging@uk.ngrid.com” or by post to:

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GENERAL INTRODUCTION

National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.

The NTS is a network of pipelines, presently operated at pressures of up to 85 bar, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. Exit points are predominantly connections to Distribution Networks (DNs) and large consumers, but also include storage sites, direct connections to other systems, such as interconnectors to other countries and Independent Gas Transporters (IGTs).

These operations are carried out to meet the needs of the companies that supply gas to domestic, commercial and industrial consumers and to power stations. In 2005/06 1,067 TWh of Gas was transported to these consumers.

This publication sets out the methodology that applies for the release of incremental NTS exit capacity in respect of the NTS pipeline network from 1 July 2007. The methodology for the release of NTS exit capacity from 2011 onwards will be found in **“The Exit Capacity Release Methodology Statement”¹**.

Details of National Grid and its activities can be found on its internet site at www.nationalgrid.com. An electronic version of this publication can be found at the following web page [“http://www.nationalgrid.com/uk/Gas/Charges/statements/”](http://www.nationalgrid.com/uk/Gas/Charges/statements/).

¹ It is anticipated that this document will be published late in 2007.

CHAPTER 1: PRINCIPLES

1. This methodology statement has been produced to meet the requirements of Special Condition C18 of National Grid Gas' NTS ("National Grid") GT licence. National Grid believes the content is consistent with its duties under the Gas Act and is consistent with the Conditions, Standard Special Conditions and Special Conditions of its GT Licence.
2. This statement applies to the release of all forms of NTS Exit Capacity (as defined in Standard Special Condition A3 of National Grid's GT Licence) by the NTS SO and so shall include NTS Exit Capacity (at NTS System Exit Points as defined in the Uniform Network Code), and NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes as defined in the Uniform Network Code).
3. The statement shall apply to the release of all "incremental exit capacity" (i.e. NTS exit capacity in excess of the initial volume allocations) for use up to 30 September 2008 (the "interim period"), and from 1 October 2008 to 30 September 2011 (the "transitional period"). The Initial Volume Allocations for NTS/LDZ offtakes (are as specified in Appendix 2).
4. For the interim period, National Grid, when determining whether to allocate incremental exit capacity, will use the methodology described in this statement under Chapter 2.
5. For the transitional period, National Grid, when determining whether to allocate incremental exit capacity, will use the methodology described in this statement under Chapter 3.
6. During the period 1 May 2005 to 30 September 2011, new and existing Shipper Users will continue to purchase firm and interruptible NTS Exit Capacity at administered prices, and any capacity requests will be considered against the provisions of National Grid's statutory licence obligations.
7. Those objectives applicable to this statement set out in the Gas Act and the Standard, Standard Special and Special Conditions of National Grid's GT Licence in respect of the NTS are that the release of NTS Exit Capacity must be:
 - Conducted on a non-discriminatory basis – (see Standard Special Condition A6);
 - Conducted on an efficient and economical basis – (see section 9(1) Gas Act 1986, and Special Condition C5); and
 - Be consistent with the safe operation of the licensee's pipe-line system – (see Standard Special Condition A17 and Standard Special Condition A9).

CHAPTER 2: PROCEDURE FOR ALLOCATING INCREMENTAL EXIT CAPACITY IN THE INTERIM PERIOD (1 MAY 05 TO 30 SEPT 08)

8. The following steps will be applied to requests for incremental exit capacity over the interim period i.e. requests for the following types of capacity as defined in the Uniform Network Code:
 - a. NTS Exit Capacity
 - b. NTS Offtake (Flat) Capacity
 - c. NTS Offtake (Flexibility) Capacity
9. At any NTS Exit Point, if a quantity of incremental exit capacity were requested by either DNO Users or Shipper Users, then National Grid would first seek to ensure that allocating the requested incremental exit capacity, or a part of that capacity, would not be detrimental to the safe operation of the System.
10. If safe operation of the System is not impaired then National Grid will consider the incremental costs that may be incurred from providing incremental exit capacity.
11. If no incremental costs are identified then National Grid will allocate the requested incremental exit capacity.
12. If an application for a quantity of incremental exit capacity is received which could be expected to impair safe operation of the System and/or will increase infrastructure or operational costs, then National Grid will seek to identify the costs of maintaining a safe operating System and for economically operating the NTS.
13. The mitigating actions that may be explored will include buy back of NTS Exit Capacity from other Shipper Users and use of storage options where applicable. Any tools used will be in accordance with the National Grid Procurement Guidelines and System Management Principles Statement.
14. National Grid will release incremental exit capacity only if a safe operating System can be maintained and if economic analysis of the costs and benefits demonstrates that it is efficient and economical to do so. The flow chart in Figure 1 of Appendix 1 summarises the overall process.

CHAPTER 3: PROCEDURE FOR ALLOCATING INCREMENTAL EXIT CAPACITY IN THE TRANSITIONAL PERIOD (1 OCT 08 TO 30 SEPT 11)

A: Requests for incremental exit capacity beyond investment lead-times

15. The following steps will be applied to requests for:
- NTS Exit Capacity
 - NTS Offtake (Flat) Capacity
 - NTS Offtake (Flexibility) Capacity for utilisation beyond investment lead-times.

This applies to any Shipper User requests for capacity utilisation over the transitional period received in accordance with the capacity registration timescales within the Uniform Network Code that have been reserved by execution of an Advanced Reservation of Capacity Agreement (ARCA). This “reservation” of capacity would have been undertaken such that there is sufficient time from execution of the agreement to the required utilisation of capacity for National Grid to physically deliver the required system investments. In addition, this applies to DNO User requests in accordance with the Uniform Network Code for incremental exit capacity for:

- 2008/2009 received during the 2005 Application Window;
- 2009/2010 received during the 2006 Application Window; and
- 2010/2011 received during the 2007 Application Window

16. At any NTS Exit Point, if incremental exit capacity is requested by a User, then National Grid would first assess whether Specific Reinforcement in the NTS would be required i.e. whether there is any NTS investment that would not be required if the incremental load was not to be supplied.

If such investment is required, then National Grid would require a Shipper User or its developer to enter into an ARCA for

- incremental NTS Exit Capacity requests greater than 586,000,000 kWh (20 million therms) per annum;

or a DNO User to enter into an ARCA for:

- incremental NTS Offtake (Flat) Capacity requests greater than 586,000,000 kWh (20 million therms) per annum;

in accordance with National Grid’s Statement of “Principles and Methods to be used to Determine Charges for National Transmission System Connection Services” (SC4B).

Any incremental NTS Offtake (Flexibility) Capacity request will be rejected where it requires Specific Reinforcement, leads to an increase in costs, or could reasonably be considered to lead to a conflict with the safe operation of the network.

If Specific Reinforcement is not required for a development then an ARCA would not be available. In this situation a Shipper User would not be able to book capacity until 6 months prior to gas flowing. In the intervening period it is feasible that any available capacity is booked by other Shipper Users for other consumers. Hence when the original Shipper User then requests capacity it may be that only interruptible is available.

- 17 If an ARCA is required, and is signed by the relevant party, then National Grid will release the full amount of requested incremental exit capacity. If an ARCA is required but is not signed by the relevant party, then the User or National Grid will be entitled to refer any dispute in respect of the terms and conditions of the ARCA that National Grid has proposed to the Gas and Electricity Markets Authority (the "Authority") for determination under the Gas Act 1986. Following determination of the terms of the ARCA and subsequent signature, National Grid will release the full amount of requested incremental exit capacity.

In the event that the ARCA is not signed then National Grid would accept in part only the request up to the level at which capacity is available without the Specific Reinforcement.

- 18 National Grid would release the requested incremental exit capacity where:
- a. Specific Reinforcement in the NTS is not required;
 - b. Specific Reinforcement in the NTS is required, but an ARCA is not required.
- 19 The flow chart in Figure 2 of Appendix 1 summarises the overall process.

B. Requests for incremental exit capacity within investment lead-times

- 20 The following steps will be applied to requests for:
- a. NTS Exit Capacity
 - b. NTS Offtake (Flat) Capacity
 - c. NTS Offtake (Flexibility) Capacity

within investment lead-times i.e. DNO requests for incremental exit capacity for:

- 2008/2009 and 2009/2010 received during the 2007 Application Window;
- 2008/2009, 2009/2010, and 2010/2011 received during the 2008 Application Window;
- 2009/2010 and 2010/2011 received during the 2009 Application Window
- 2010/2011 received during the 2010 Application Window.

in accordance with the Uniform Network Code, and any Shipper User requests for capacity utilisation over the transitional period received in accordance with the capacity registration timescales within the Uniform Network Code.

- 21 National Grid would determine whether to allocate all or part of the requested incremental exit capacity by Shipper or DNO Users within investment lead times in accordance with the same arrangements as for the interim period, i.e. National Grid will release the requested incremental exit capacity only if a safe operating System can be maintained and if economic analysis of the costs and benefits demonstrates that it is efficient and economical to do so.
- 22 The flow chart in Figure 1 of Appendix 1 summarises the overall process.

APPENDIX 1: PROCESS FLOW CHARTS

Figure 1: Summary Process Flow Chart - Interim Period & Transitional Period (Requests within investment lead-times)

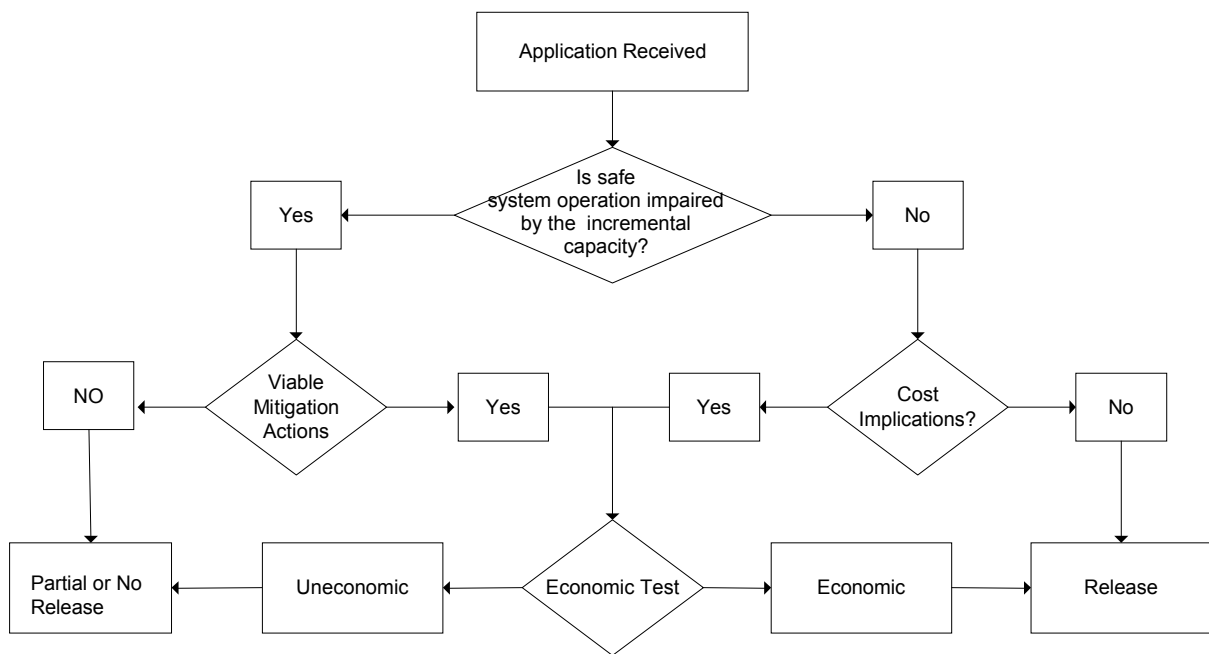
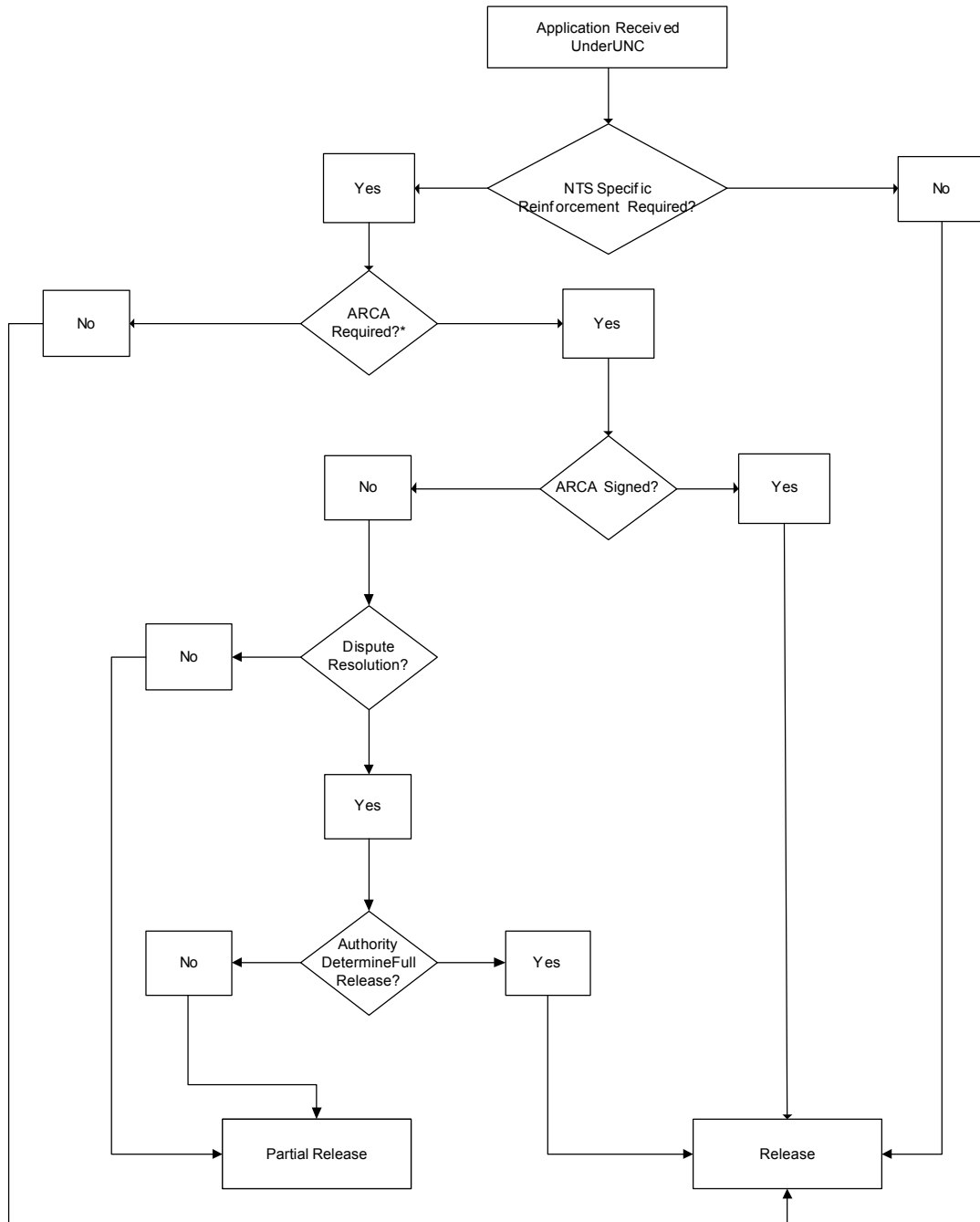


Figure 2: Summary Process Flow Chart - Transitional Period (Requests beyond investment lead-times)



* In accordance with SC4B 'NTS Statement of principles and methods to be used to determine charges for National Transmission System Connection Services'. For Shipper Users, the ARCA would have to be executed prior to the capacity request under UNC, such that there was sufficient time between execution of the ARCA and the requested date for capacity utilisation for the required system reinforcements to be completed.

APPENDIX 2. INITIAL VOLUME ALLOCATIONS FOR NTS/LDZ OFFTAKES OVER THE TRANSITIONAL PERIOD

This Appendix contains the Initial Volume Allocations for NTS Offtake (Flat) Capacity for each NTS/LDZ Offtake over the transitional period.

The Initial Volume Allocations were initially set at the time that National Grid sold some of its Distribution Networks. They have been updated to reflect the 2006 (i.e. the most recent) Offtake Capacity Allocation Process. Any additional capacity released above the IVAs will be released in accordance with this methodology statement.

LDZ	LDZ Code	NTS/LDZ Offtake	NTS Offtake (Flat) Capacity (GWh/d)		
			2008/9	2009/10	2010/11
East Anglia	EA	Bacton	2.82	2.86	2.91
East Anglia	EA	Brisley	2.97	3.06	3.10
East Anglia	EA	Cambridge	0.00	92.78	85.82
East Anglia	EA	Great Wilbraham	30.67	31.14	31.63
East Anglia	EA	Matching Green	84.39	0.01	0.01
East Anglia	EA	Peterborough Tee	24.23	24.66	25.07
East Anglia	EA	Roudham Heath	12.96	13.30	25.07
East Anglia	EA	Royston	2.67	2.67	2.67
East Anglia	EA	West Winch	11.77	11.95	12.13
East Anglia	EA	Whitwell	142.35	152.85	154.29
East Anglia	EA	Yelverton	64.73	50.04	48.47
East Midlands	EM	Alrewas EM	92.69	95.37	99.75
East Midlands	EM	Blaby	11.31	11.48	11.65
East Midlands	EM	Blyborough	93.26	95.91	98.53
East Midlands	EM	Caldecott	9.11	9.16	9.44

East Midlands	EM	Drointon	110.27	119.91	112.76
East Midlands	EM	Gosberton	16.12	16.13	16.13
East Midlands	EM	Kirkstead	0.86	0.88	0.89
East Midlands	EM	Market Harborough	6.77	6.87	6.97
East Midlands	EM	Silk Willoughby	2.51	2.55	2.59
East Midlands	EM	Sutton Bridge	0.82	0.83	0.84
East Midlands	EM	Thornton Curtis	79.16	76.37	76.47
East Midlands	EM	Tur Langton	81.96	76.37	83.59
East Midlands	EM	Walesby	0.77	0.79	0.80
North London	NT	Horndon	33.84	38.26	39.04
North London	NT	Luxborough Lane	146.46	145.82	143.38
North London	NT	Peters Green	135.79	147.94	151.33
North London	NT	Peters Green South Mimms	166.54	157.10	160.69
North London	NT	Winkfield NT	16.06	16.04	17.16
North West	NW	Audley NW	7.36	7.47	7.62
North West	NW	Blackrod	138.75	120.53	140.48
North West	NW	Eccleston	17.90	18.08	18.51
North West	NW	Holmes Chapel	19.63	19.90	20.26
North West	NW	Lupton	12.79	12.65	11.23
North West	NW	Malpas	0.44	0.44	0.45
North West	NW	Mickle Trafford	27.88	28.33	28.78
North West	NW	Partington	86.34	109.14	109.50

North West	NW	Samlesbury	142.68	145.26	146.48
North West	NW	Warburton	100.78	99.83	94.29
North West	NW	Weston Point	1.76	2.64	2.01
Northern	NO	Bishop Auckland	63.64	64.61	65.64
Northern	NO	Coldstream	1.71	1.73	1.76
Northern	NO	Corbridge	0.06	0.06	0.06
Northern	NO	Cowpen Bewley	44.70	45.25	45.87
Northern	NO	Elton	35.04	35.35	35.71
Northern	NO	Guyzance	2.28	2.31	2.35
Northern	NO	Humbleton	0.15	0.15	0.16
Northern	NO	Keld	1.58	1.58	1.59
Northern	NO	Little Burdon	18.47	18.73	19.05
Northern	NO	Melkinthorpe	0.32	0.32	0.32
Northern	NO	Saltwick Pressure Controlled	9.29	9.40	9.53
Northern	NO	Saltwick Volumetrically Controlled	63.64	64.61	65.64
Northern	NO	Thrintoft	5.38	5.45	5.54
Northern	NO	Towlaw	0.48	0.49	0.50
Northern	NO	Wetheral	27.16	27.47	27.84
Scotland	SC	Aberdeen	35.12	35.45	21.55
Scotland	SC	Armadale	2.22	12.92	13.09
Scotland	SC	Balgray	11.40	11.50	11.65
Scotland	SC	Bathgate	24.22	23.33	23.64

Scotland	SC	Broxburn	58.79	53.29	53.98
Scotland	SC	Careston	3.05	3.08	3.12
Scotland	SC	Drum	61.48	63.15	63.97
Scotland	SC	Glenmavis	144.75	141.77	143.62
Scotland	SC	Hume	0.78	0.78	0.79
Scotland	SC	Kinknockie	2.35	2.37	2.40
Scotland	SC	Langholm	0.14	0.14	0.14
Scotland	SC	Lauderhill	0.00	0.00	4.42
Scotland	SC	Lockerbie	5.38	5.42	5.49
Scotland	SC	Mosside	0.00	0.00	14.37
Scotland	SC	Nether Howcleugh	0.18	0.18	0.19
Scotland	SC	Pitcairngreen	1.59	1.60	1.62
Scotland	SC	Soutra	8.15	8.23	3.92
Scotland	SC	St. Fergus	0.88	0.89	0.90
Scotland	SC	Stranraer	0.48	0.49	0.49
South	SO	Braishfield A	103.92	105.79	105.77
South	SO	Braishfield B	46.52	46.74	46.74
South	SO	Hardwick	119.48	121.04	121.02
South	SO	Ipsden 1	11.34	11.52	11.52
South	SO	Ipsden 2	14.12	14.32	14.32
South	SO	Mappowder	46.82	47.67	47.67
South	SO	Winkfield SO	79.47	81.06	81.04

South East	SE	Farningham	124.98	128.08	133.51
South East	SE	Shorne	62.01	63.26	65.73
South East	SE	Tatsfield	258.00	260.33	260.85
South East	SE	Winkfield SE	98.48	99.71	103.67
South West	SW	Aylesbeare	23.53	23.76	24.08
South West	SW	Cirencester	9.68	9.78	9.88
South West	SW	Coffinswell	5.52	5.58	5.65
South West	SW	Easton Grey	31.94	32.26	32.99
South West	SW	Evesham	6.86	6.93	7.02
South West	SW	Fiddington	27.49	27.77	27.66
South West	SW	Ilchester	34.81	35.16	35.89
South West	SW	Kenn	15.98	16.14	17.31
South West	SW	Littleton Drew	2.94	2.97	3.01
South West	SW	Lyneham	51.43	51.95	51.67
South West	SW	Pucklechurch	28.64	28.93	29.05
South West	SW	Ross on Wye SW	4.45	4.50	4.55
South West	SW	Seabank	59.58	60.19	61.15
Wales North	WAN	Maelor	53.20	53.52	53.98
Wales South	WAS	Dowlais	110.31	111.15	112.22
Wales South	WAS	Dyffryn Clydach	46.57	46.98	47.50
Wales South	WAS	Gilwern	45.44	47.89	48.35
West Midlands	WM	Alrewas WM	101.33	103.27	106.03

West Midlands	WM	Aspley	83.70	84.92	86.19
West Midlands	WM	Audley WM	18.64	18.89	19.24
West Midlands	WM	Austrey	81.12	83.62	84.73
West Midlands	WM	Leamington Spa	3.65	3.70	3.77
West Midlands	WM	Lower Quinton	26.66	26.71	26.73
West Midlands	WM	Milwich	20.76	21.04	21.43
West Midlands	WM	Ross on Wye WM	13.46	13.65	13.92
West Midlands	WM	Rugby	62.80	61.73	62.96
West Midlands	WM	Shustoke	32.03	32.58	33.39
West Midlands	WM	Stratford-upon-Avon	3.99	4.05	4.12
Yorkshire (North East)	NE	Asselby	3.76	3.82	3.89
Yorkshire (North East)	NE	Baldersby	1.24	1.26	1.28
Yorkshire (North East)	NE	Burley Bank	19.34	19.68	20.00
Yorkshire (North East)	NE	Ganstead	22.99	23.37	23.78
Yorkshire (North East)	NE	Pannal	133.28	134.92	136.57
Yorkshire (North East)	NE	Paull	35.87	36.31	36.78
Yorkshire (North East)	NE	Pickering	8.18	8.33	8.50
Yorkshire (North East)	NE	Rawcliffe	3.47	3.52	3.58
Yorkshire (North East)	NE	Towton	74.92	76.55	78.56