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NTS Exit Capacity Release Methodology Statement in respect of the Interim and Transitional Periods

Effective from 1 April 2008

national**grid**

DOCUMENT HISTORY

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V1.1	25 th Aug 2005	For industry consultation to include requirements for transitional arrangements
V1.2	25 th 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.
V2.1	January 2008	For industry consultation. Transitional period extended to 2012. Initial Volume Allocations removed. Scope expanded to include release of non-incremental (existing) capacity. Clarification of tools for release of incremental capacity in the constrained period.
V2.2	March 2008	Changes following industry consultation. Definition of Existing System Exit Capacity added Definition of Incremental Capacity clarified Clarification to ARCA processes in paragraphs 34 and 40. Reference to buy-back of Offtake Capacity removed Figure 1 modified for consistency.
V3.0	20 May 2008	V2.2 approved by the Authority

ABOUT THIS DOCUMENT

This document describes the methodology that National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transporter Licence in respect of the NTS (the “Licence”) employs for the release of all exit capacity, i.e. incremental and existing system exit capacity for initial use commencing up to 30 September 2008 (the “interim period”), and from 1 October 2008 to 30 September 2012 (the “transitional period”).

This document is one of a suite of documents that describe the release of NTS capacity 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 April 2008¹.

This document has been published by National Grid in accordance with Special Condition C18 of the Licence and is approved by the Gas and Electricity Markets Authority (the Authority). National Grid believes the content is consistent with its duties under the Gas Act and is consistent with the Standard Conditions, Standard Special Conditions and Special Conditions of the Licence. The effective date has been amended from the 1 July, as in previous years, to 1 April to be consistent with revisions to the Licence as part of the Transmission Price Control Review.

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 Gas Access and Charging team at

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¹ Or the date of approval by the Authority if later than 1st April 2008.

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GENERAL INTRODUCTION

1. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
2. The NTS is a network of pipelines, presently operated at pressures of up to 94 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), but also include storage sites and direct connections to large industrial consumers and other systems, such as interconnectors to other countries.
3. 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 and interconnectors. In 2006/07 1,079 TWh of Gas was transported to these consumers.
4. This publication sets out the methodology that applies for the release of incremental and existing NTS exit capacity in respect of the NTS pipeline network from 1 April 2008 until 30 September 2012. The methodology for the release of NTS exit capacity from 30 September 2012 onwards will be found in the **“NTS Exit Capacity Release Methodology Statement in respect of the Enduring Period”²**.
5. Details of National Grid and its activities can be found on the company’s 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/).
6. Key terms used throughout this document are defined in Appendix 1.
7. It is important that National Grid is made aware of potential developments where incremental capacity may be required at an early stage. This is so that discussions can be held with the customer in relation to any additional work that may be required, including facilitating the physical connection, whether this is at a new or existing exit point. This work is charged for separately as specified in National Grid’s Statement of “Principles and Methods to be used to Determine Charges for National Transmission System Connection Services” (“SC4B statement”) which is also available on the National Grid website. Contact can be made with the Customer Services team via e-mail to transmission.newgasconnections.nts@uk.ngrid.com.

² It is anticipated that this document will be published late in 2008.

CHAPTER 1: PRINCIPLES

8. This methodology statement has been produced to meet the requirements of Special Condition C18 of the 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 the Licence.
9. This statement applies to the release of all forms of NTS Exit Capacity (as defined in Standard Special Condition A3 of the Licence) by National Grid and shall include NTS Exit Capacity (at NTS System Exit Points, as defined in the Uniform Network Code (“UNC”)), and NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes, as defined in the UNC).
10. The statement shall apply to the release of all NTS Exit Capacity (i.e. existing and incremental capacity) for first use on or before 30 September 2008 (the “interim period”), and from 1 October 2008 to 30 September 2012 (the “transitional period”).
11. For the avoidance of doubt, for the interim and transitional periods existing NTS Exit Capacity does not necessarily equate to the NTS baseline capacity specified in the Licence. Relevant values for the NTS baseline capacity are as specified in Annex A table 1 of Special Condition C8E of the Licence³.
12. This statement applies to the release of “firm capacity”. Interruptible capacity is not available at NTS/LDZ Offtakes. It will only be released at NTS System Exit Points where it can be released without adversely affecting the safe and economic operation of the system and without the need for any system reinforcement. Such available interruptible capacity will be released on a first come first served basis in accordance with processes detailed in the UNC.
13. For the interim period and for the transitional period, National Grid, when determining whether to allocate Existing System Exit Capacity, will use the methodology described in this statement under Chapter 2.
14. The interim period applies from 1st April 2008 to 30th September 2008. As this is short-term it is unlikely that additional capacity will be allocated for this period. This is because:
 - The next OCS process applies after the interim period, so additional capacity will only be released to DNOs in exceptional circumstances (as defined in UNC); and
 - There may be insufficient time to implement necessary changes to agreements and connection facilities before the interim period ends.However, allocations in the interim period are theoretically possible so are covered by this statement. When determining whether to allocate Incremental Exit Capacity in the interim period National Grid, will use the methodology described in this statement under Appendix 2.
15. 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.

³ The baseline values specified in the Licence shall be adjusted to account for any subsequently released incremental capacity and /or any applications under the OCS process detailed in UNC TPD section B6.

16. A high level summary of the procedures for allocation of NTS Exit Capacity in relation to the different timeframes is provided in Table 1 below. Reference should be made to the appropriate paragraphs for further detail.

Table 1 – High Level Summary of Processes for Allocation of NTS Exit Capacity						
	Date capacity first available	Before 1/10/2008	1/10/2008 to 30/09/2011	1/10/2011 to 30/09/2012	From 1/10/2012	
		Interim Period	Transitional Period		Enduring Period	
Existing System Exit Capacity						
Exit Capacity (Shipper)		First come, first served. Book no more than 6 month in advance. (paragraph 22-24)			Not applicable to this statement	
NTS Offtake (Flat) Capacity		OCS process (paragraph 25)				
NTS Offtake (Flexibility) Capacity		OCS process (paragraph 25)				
Incremental Exit Capacity						
Exit Capacity (Shipper)	No specific reinforcement needed	First come, first served*. Book no more than 6 months in advance Appendix 2 Paragraphs 27-31 Paragraph 38				
	With specific reinforcement	Partial or no release		Subject to ARCA (para. 36 & 39)		
NTS Offtake (Flat) Capacity	No reinforcement needed	OCS process*				
	With specific reinforcement	OCS process*		Subject to ARCA (para. 36 & 39)		
NTS Offtake (Flexibility) Capacity	No reinforcement needed	OCS process*				
	With specific reinforcement	Capacity not released (paragraph 37)				
* Subject to National Grid being satisfied that it could meet such demands by reference to its wider Licence obligations as outlined in paragraph 18.						

17. Until 30 September 2012, 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.

18. Overriding obligations on National Grid set out in the Gas Act and the Standard Conditions, Standard Special Conditions and Special Conditions of the Licence are that its activities must be:

- Conducted on a non-discriminatory basis;
- Conducted in an efficient, economical and co-ordinated manner; and
- Be consistent with the safe and efficient operation of National Grid's pipeline system and security of supply obligations.

CHAPTER 2: PROCEDURE FOR ALLOCATING EXISTING SYSTEM EXIT CAPACITY IN THE INTERIM AND TRANSITIONAL PERIODS (UP TO 30 SEPT 2012)

19. In respect of NTS/LDZ Offtakes and NTS System Exit Points National Grid shall, upon request from a Distribution Network Operator (DNO) or Shipper as appropriate, release any unallocated Existing System Exit Capacity.
20. Existing System Exit Capacity shall be determined by network analysis undertaken at the time of any valid request received by National Grid for NTS Exit Capacity.
21. Existing System Exit capacity shall be determined by network analysis using existing NTS infrastructure and current and/or committed commercial and statutory obligations, but includes all existing firm commitments recorded in previous OCSs and any quantities that Shipper Users are registered as holding pursuant to UNC.
22. In respect of NTS System Exit Points, such requests for NTS Exit Capacity shall be in accordance with UNC TPD section G2 and B3.2. In all cases any allocation of NTS Exit Capacity shall be subject to there being any unallocated capacity available at that exit point.
23. Allocation of available Existing System Exit Capacity at NTS System Exit Points will be on a first come first served basis.
24. Where there is insufficient unallocated Existing System Exit Capacity at an NTS System Exit Point to satisfy a request for additional capacity then the available capacity will be allocated to partially satisfy the Shipper's request. The Shipper may withdraw or amend their capacity request prior to capacity being allocated.
25. In respect of NTS/LDZ Offtakes such requests (including decrease requests) for NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity, shall be in accordance with UNC TPD section B6.

CHAPTER 3: PROCEDURE FOR ALLOCATING INCREMENTAL EXIT CAPACITY IN THE TRANSITIONAL PERIOD (1 OCT 2008 TO 30 SEPT 2012)

A. Requests for Incremental Exit Capacity within investment lead-times

26. The following steps will be applied to requests for:

- NTS Exit Capacity (from Shipper Users)
- NTS Offtake (Flat) Capacity (from DNO Users)
- NTS Offtake (Flexibility) Capacity (from DNO Users)

within investment lead-times i.e.

DNO User requests for Incremental Exit Capacity for:

- 2008/2009, 2009/2010, and 2010/2011 received during the 2008 Application Window;
- 2009/2010, 2010/2011 and 2011/2012 received during the 2009 Application Window
- 2010/2011 and 2011/2012 received during the 2010 Application Window.
- 2011/2012 received during the 2011 Application Window.

received in accordance with the Uniform Network Code, and;

Shipper User requests for capacity allocations for the transitional period received in accordance with the capacity registration timescales within the Uniform Network Code.

27. 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 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.

28. 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.

29. If no incremental costs are identified then National Grid will allocate the requested Incremental Exit Capacity.

30. 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 so as to identify mitigating actions (if any) that could be undertaken to remove such costs and impairment.

31. Mitigating actions that may be explored include;

- buy-back of NTS Exit Capacity from Shipper Users;
- use of storage options;
- any other appropriate contracting solutions.

Any of the above tools will be used in accordance with the National Grid Procurement Guidelines and System Management Principles Statement.

32. The flow chart in Figure 1 of Appendix 3 summarises the overall process.

B: Requests for Incremental Exit Capacity beyond investment lead-times

33. The following steps will be applied to requests for:

- NTS Exit Capacity (from Shipper Users)
- NTS Offtake (Flat) Capacity (from DNO Users)
- NTS Offtake (Flexibility) Capacity (from DNO Users)

for utilisation beyond investment lead-times.

34. This section applies to any:

- Shipper User requests for incremental NTS Exit Capacity utilisation over the transitional period received in accordance with the capacity registration timescales within the UNC that meet the criteria for execution of an Advanced Reservation of Capacity Agreement (ARCA). This “reservation” of capacity would have to be 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, i.e. signature at least 38 months before capacity is due to be released (i.e. by July 2008 for first gas in October 2011).
- DNO User requests, in accordance with the UNC, for incremental NTS Offtake Capacity for 2011/2012 received during the 2008 Application Window.

Notwithstanding the lead times identified in this paragraph National Grid will consider the release of capacity in advance of these timescales where National Grid deems this to be practicable.

35. At any NTS System Exit Point, if Incremental Exit Capacity is requested by a User, then National Grid would first assess whether Specific Reinforcement of the NTS upstream of the Connection Charging Point⁴ would be required i.e. whether there is any NTS investment that would not be required if the incremental capacity was not to be supplied.

36. If such investment is required, then National Grid would, in accordance with National Grid’s SC4B Statement, 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.

37. 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.

38. If Specific Reinforcement is not required for a development, or the Incremental Exit Capacity request is for less than 586,000,000 kWh per annum, then an ARCA would not be available. In this situation, in respect of NTS Exit Capacity, a Shipper User would not be able to book capacity until 6 months prior to gas flowing (in accordance with UNC TPD section G). In the intervening period it is

⁴ As defined in National Grid’s SC4B Statement.

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 capacity is available.

39. 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 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 accordance with the outcome of the determination.
40. In the event that the ARCA is not signed, whether or not it has been referred to Ofgem, then National Grid would accept in part only the request up to the level at which capacity is available without the Specific Reinforcement. This would be in accordance with paragraph 38.
41. National Grid would release the requested Incremental Exit Capacity where:
 - Specific Reinforcement in the NTS is not required;
 - Specific Reinforcement in the NTS is required, but an ARCA is not required (e.g. for small increments less than 586GWh/y).
42. The flow chart in Figure 2 of Appendix 3 summarises the overall process.

APPENDIX 1: DEFINITIONS

ARCA means **Advanced Reservation of Capacity Agreement** and is an agreement between National Grid and either a DNO, a Shipper or a developer (e.g. in respect of a new NTS System Exit Point). It obliges National Grid to accept the capacity booking for the quantity agreed at the date agreed. It also obliges the counter party to apply for (or arrange a Shipper to apply for) the capacity or to make a payment to National Grid in respect of lost transportation revenue. An ARCA is deemed to constitute the “user commitment” for the purposes of Special Condition C8E paragraph 1 of the Licence.

Enduring Period means the period from 1 October 2012, being the date from which it is expected that exit capacity will be released in accordance with revised “enduring” arrangements.

Existing System Exit Capacity means the capacity determined in accordance with paragraphs 20 and 21 and is a measure of the capability of the NTS. It includes currently allocated and unallocated capacity. Unallocated capacity is not specific to any individual exit point.

Firm Capacity is capacity which is not subject to interruption in accordance with UNC TPD section G6.7.

Incremental Exit Capacity means capacity (requested) to be made available in excess of the Existing System Exit Capacity.

Interim Period means the period up to and including 30 September 2008

Interruptible Capacity is capacity which is subject to interruption in accordance with UNC TPD section G6.7. Interruptible capacity is not available at NTS/LDZ Offtakes and shall be available at NTS System Exit Points in accordance with UNC.

NTS baseline capacity means the NTS baseline exit flat capacity, the NTS baseline exit shipper capacity and the NTS baseline exit flow flexibility. In the absence of a full User commitment model for the interim and transitional periods National Grid does not have an obligation to offer NTS baseline capacity levels for sale.

NTS baseline exit flat capacity – means the level of capacity (defined in units of GWh/day, but applied at a constant hourly rate) at each NTS/LDZ Offtake as specified in table 1 of Annex A of Special Condition C8E of the Licence.

NTS baseline exit flow flexibility – means the level of variance from the hourly flat capacity rate (in GWh/day) which in aggregate across all NTS Exit Points shall be 238 GWh/day.

NTS baseline exit shipper capacity means the level of capacity (defined in units of GWh/day, but applied at a constant hourly rate) at each NTS System Exit Point as specified in table 1 of Annex A of Special Condition C8E of the Licence.

NTS Exit Capacity – as defined in Standard Special Condition A3 of the Licence means NTS Exit Capacity (at NTS System Exit Points as defined in the UNC TPD section A3), and/or NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes as defined in the UNC TPD section B1). For the purpose of this document NTS Exit Capacity means Firm capacity.

NTS Exit Point means NTS System Exit Point and/or NTS/LDZ Offtake.

NTS/LDZ Offtakes are connections from the NTS to a Distribution Network operated by a Distribution Network Operator (a “DNO”).

NTS System Exit Points are NTS Supply Points and/or NTS Connected System Exit Points.

OCS means the **Offtake Capacity Statement** as defined in UNC TPD section B6.

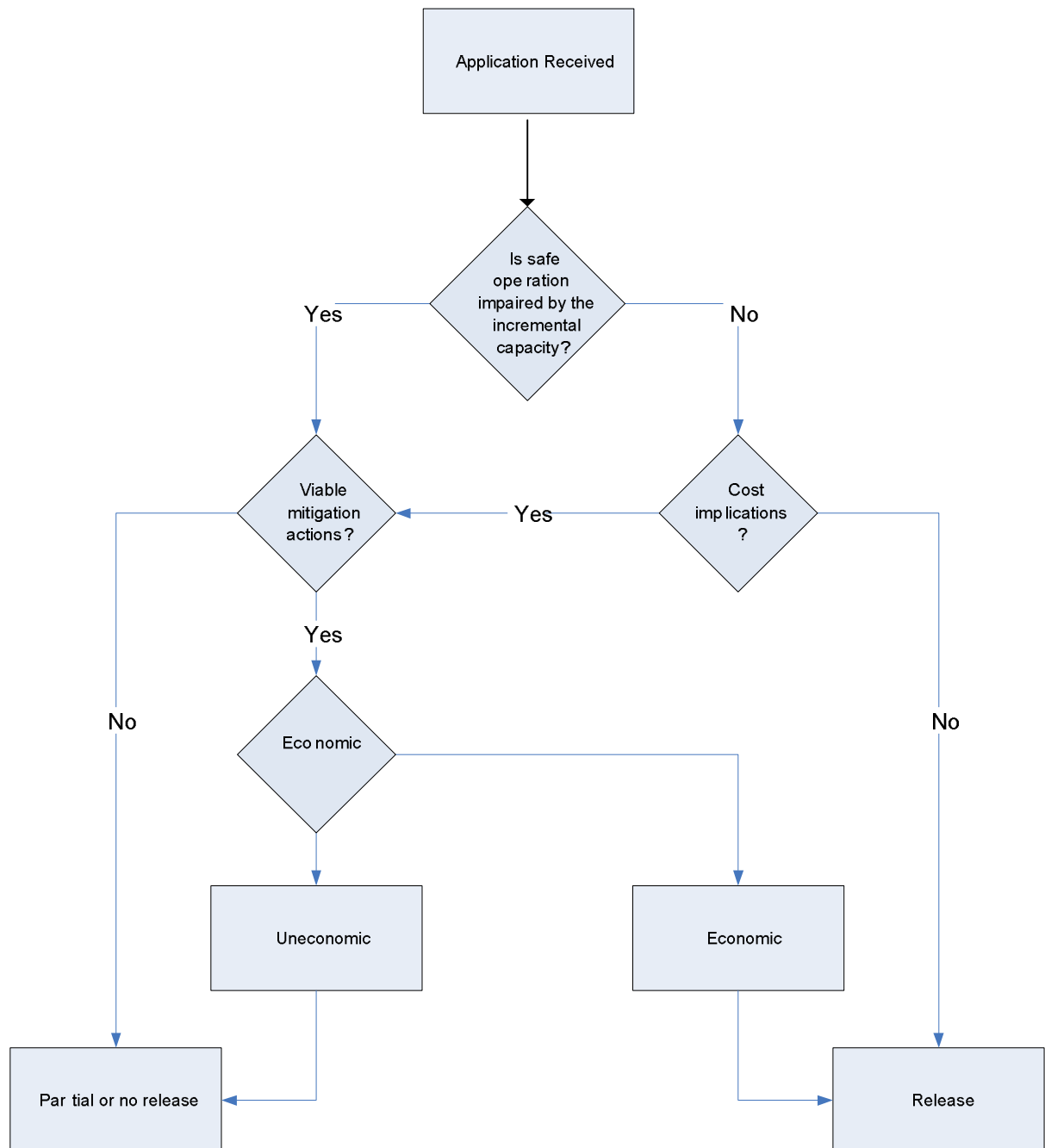
Transitional Period means the period from 1 October 2008 to 30 September 2012.

APPENDIX 2: PROCEDURE FOR ALLOCATING INCREMENTAL EXIT CAPACITY IN THE INTERIM PERIOD (UP TO 30 SEPT 08)

- A1. 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:
- NTS Exit Capacity (from Shipper Users)
 - NTS Offtake (Flat) Capacity (from DNO Users)
 - NTS Offtake (Flexibility) Capacity (from DNO Users)
- A2. At any NTS/LDZ Offtake or NTS System 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.
- A3. 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.
- A4. If no incremental costs are identified then National Grid will allocate the requested incremental exit capacity.
- A5. 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 would result in an increase to 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 so as to identify mitigating actions (if any) that could be undertaken to remove such costs and impairment.
- A6. Mitigating actions that may be explored include;
- buy-back of NTS Exit Capacity from Shipper Users;
 - use of storage options;
 - any other appropriate contracting solutions.
- Any of the above tools will be used in accordance with the National Grid Procurement Guidelines and System Management Principles Statement.
- A7. 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 (including analysis of available mitigating actions) demonstrates that it is efficient and economical to do so. The flow chart in Figure 1 of Appendix 3 summarises the overall process.

APPENDIX 3: PROCESS FLOW CHARTS

Figure1: Summary Process Flow Chart
Interim and Transitional Period
Request for Incremental Capacity received within
investment leadtimes.



**Figure 2: Summary Process Flow Chart
 Transitional Period
 Request for Incremental Capacity received beyond
 investment lead-times.**

