



**Review of the
NTS Exit Capacity Release
Methodology Statement
in respect of the
Transitional and Enduring Exit Periods.
Consultation Conclusions Report**

30th March 2009

Executive Summary

Introduction

Special Condition C18 of National Grid's Gas Transporter Licence in respect of the NTS (the "Licence") sets out obligations to prepare and submit for approval by the Authority an NTS Exit Capacity Release (ExCR) Methodology Statement setting out the methodology by which National Grid NTS "NG NTS" will determine whether to release NTS Exit Capacity to gas shippers or DN operators. In addition, NG NTS is obliged to review the statement on an annual basis in consultation with gas shippers and other interested persons.

The Authority ("the Gas and Electricity Market Authority") decision to implement UNC modification proposal 195AV "Introduction of Enduring NTS Exit Capacity Arrangements" introduces reform of NTS offtake arrangements. The timing of the introduction of these new arrangements creates two phases for release of NTS Exit Capacity:

- The "Transitional Exit Period" for capacity reserved or allocated to Users commencing no later than 30th September 2012; and
- The "Enduring Exit Period" in respect of capacity reserved or allocated commencing no earlier than 1st October 2012.

On 23rd February 2009 NG NTS initiated its consultation as part of the annual review of the ExCR. The principle changes proposed to the existing ExCR were:

- 1) Structural change to the Statement into Part A (Transitional Exit Period) and Part B (Enduring Exit Period). Part A is essentially an update of the existing ExCR (v4.0). Part B is entirely new.
- 2) The only significant change to Part A is an amendment to the ARCA Commitment. To align with the Enduring Exit Period, NG NTS proposed a requirement for a commitment based on four years of exit capacity charges.
- 3) Part B covers the processes for release of all forms of capacity, but concentrates on the release of Enduring Annual NTS Exit (Flat) Capacity through the Annual Application Window, the ad-hoc process, and the ARCA process. Processes for increasing and reducing capacity allocations are covered including the User Commitment that NG NTS requires to trigger the release of enduring annual capacity.

NG NTS invited views in respect of the proposed revised ExCR to be made by 23rd March 2009.

This document sets out NG NTS' conclusions on its consultation on the proposed ExCR. It provides a summary of the representations received, NG NTS' response and an indication of whether, as a result of such representations, any changes have been made to the proposed revised statement.

In addition, NG NTS sought views on one specific issue: the User Commitment associated with capacity increases above baseline allocated before 1 October 2008 and applicable in the Transitional Exit Period. In accordance with initialisation processes Users capacity allocations, for the Enduring Exit Period, would get pared back to baseline levels. If they then signal an increase in the July 2009 window back to their existing transitional allocation their entire capacity holding at that exit point will be subject to a four year User commitment. NG NTS sought User's views on the best way to manage this issue.

Responses

Representations were received from the ten respondents listed below.

National Grid Distribution (NGD)
AEP Energy (AEP)
Centrica Energy (BUS)
Centrica Storage Ltd (CSL)

Consultation Report - Review of the NTS Exit Capacity Release Methodology Statement in respect of the Transitional and Enduring Exit Periods.

Scottish and Southern Energy (SSE)

EDF Energy (EdF)

Intergen (IGN)

RWE npower (RWE)

Northern Gas Networks (NGN)

E.ON UK plc (EON)

The responses received mainly relate to:

- The 4 year User Commitment for ARCAs in the transitional period
- The treatment of transitional increases
- Requirement for new NTS Exit Points to be included in the Licence.
- Requirement for Revenue Drivers to be agreed before release of obligated incremental exit flat capacity.

Detailed comments from respondents and NG NTS' response, where required, are provided in the following table.

Party	Issue	Response Quotes	NG NTS Response	Proposed changes
1 – Principles				
1.1 NGD	High level principles for the ExCR	<p>it is right that a party genuinely requiring additional capacity should pay for it.</p> <p>all classes of consumer should be treated the same unless there are strong exogenous reasons, e.g. License obligations, for treating them differently.</p> <p>Given the lifetime of the assets involved both the regime, and the charges that it generates, should remain stable for as long as possible, so that parties investing in equipment may have a reasonable expectation of recovering their investments as this will tend to reduce their cost of capital ultimately to the benefit of consumers.</p> <p>Whilst taking into account all relevant factors the regime should be as simple as possible as this reduces the risk of unintended consequences as well as reducing administrative costs.</p>	n/a	No change
1.2 BUS	General	The ExCR Statement is an important document which defines the processes for the release of exit capacity and this review will now help to clarify how exit capacity will be managed and released as the industry moves through a transitional period towards an enduring exit regime commencing on 1 October 2012.	n/a	No change
1.3 RWE	General	We are pleased to see that National Grid has taken account of a number of our earlier comments on the draft ExCR. As a result we believe that the basis on which National Grid will release exit capacity in the transitional and enduring periods is now more clearly defined and broadly consistent with its licence and UNC obligations.	n/a	No change
1.4 CSL	General	Beyond these concerns, CSL has considered the ExCR and it seems fit for purpose and in line with our expectations.	n/a	No change
1.5 EON	General	The latest draft document of 20 February 2009 provides some useful detail in describing how NGG intends to implement the enduring offtake arrangements following approval of UNC 0195AV especially in relation to the ARCA arrangements and	NG NTS agree that where appropriate rules should be defined within the UNC. We thought that it would be	Inclusion of following text in para 14 (Part B): <i>“However, where any</i>

		<p>the ad hoc application process. It does seem however, to unnecessary replicate many rules that are already adequately covered in the UNC.</p> <p>This raises a particular concern about how this document will evolve in future. The UNC or rather its predecessor the Network Code was originally established to provide a single document setting out a common set of rules for third part access to the gas system. Unfortunately over the years more and more of these rules seem have hived -off into non code documents that are not subject to collective oversight of all the industry via UNC governance, but are instead controlled and managed by National Grid. It is therefore important to ensure that the ExCR does not progressively supplant the rules set out in the UNC. Thus we consider that National Grid should clearly state in this document that should there be an inconsistency between the ExCR and the UNC then the UNC shall prevail.</p>	<p>helpful to have one document where all the information exists to ensure Users had a coherent and holistic view of the regime.</p> <p>In para 6 (Part B) we state that the UNC terms prevail over the ExCR, however we agree that this should be expanded and have therefore added new text into para 14 (Part B).</p>	<p><i>conflict arises between the Licence, UNC and this Statement the Licence shall prevail over the UNC and this Statement, and the UNC shall prevail over this Statement."</i></p>
2 – User Commitment				
2.1 AEP	Early discharge	We welcome the introduction of the principle of early discharge of the user commitment, where the User Commitment Amount has been satisfied.	n/a	No change
2.2 SSE	Early discharge	SSE welcomes the introduction of the principle of early discharge of the user commitment, where the User Commitment Amount has been satisfied. However, we do not recall discussions regarding paying the balance of charges should prevailing exit capacity charges fall and the User Commitment Amount is unsatisfied after 4 years. (para 75, 76) Again, it has only been possible for NG to bring forward this issue due to the governance arrangements of the ExCR	<p>NG NTS welcomes SSE's acknowledgement of the compromise made by NG NTS.</p> <p>Regarding the "paying of the balance" should prices fall below the indicative prices, NG NTS believes there has been a misinterpretation of para 75 (Part B). The intent is that the maximum User Commitment period is 4 years, with a potential for early satisfaction where actual charges have exceeded the indicative charge. NG NTS has redrafted para 67 (Part B) to hopefully avoid any further misinterpretation.</p>	<p>Para 67 (Part B) amended as follows to aid clarity:</p> <p>"the User Commitment will be satisfied <i>early</i> where..."</p>
2.3 EDF		Finally we would note that in Part B Paragraph 74 of the ExCR NGG appear to have introduced anew definition of the User Commitment introduced as part of 0195AV. We would note that in the Final Modification Report (FMR) for 0195AV the intention of the User Commitment was to pay 4 years worth of transportation charges. However Paragraph 74 introduces the requirement for Shippers to pay a User Commitment Amount equivalent to 4 years worth of indicative exit capacity charges, which the Shipper would have to "top up" if their actual charges turned out to be lower than their indicative charges. This appears to be inconsistent with the principles of 0195AV, which		

		stated that the User Commitment “would oblige the User to pay for the NTS Exit Capacity Charges for each of these Gas Years”, and also inconsistent with the User Commitment for incremental entry capacity detailed within the IECR. We therefore believe that this needs reviewing and developing prior to submission to Ofgem.		
2.4 NGD	Stepped increases	It is stated [para 77] that, for stepped increases, the final quantity will be used for the User Commitment for all years (which will be more than 4). We believe that the final quantity should only be used for the Commitment covering the last four years with the lower quantities used for earlier years before the maximum capacity is obtained.	Para 77 (Part B) did not state that the final quantity will be used for the User Commitment for all years, however to improve understanding we have clarified para 77 (Part B), which aligns with NGD’s expectations.	Para 77 (Part B) clarified as follows: “If a User has been allocated, or an ARCA is used to reserve capacity with stepped increases the User Commitment Amount will be determined <i>at each stepped increase</i> i.e. the User Commitment may extend over more than four years from the initial stepped increase.”
2.5 AEP	Transitional ARCAs: revised commitment	With regard to NG’s wish to introduce a four year user commitment in the transition period we maintain our position that this is not appropriate, since this is a feature of the enduring arrangements and should not be implemented earlier. There have been a number of determinations that have set a precedent regarding the required user commitment; we believe this should persist until the enduring arrangements apply. Clearly given the timescales involved it is extremely unlikely that any ARCA agreed in the transition period that is not already under discussion will result in investment and delivery of capacity prior to Oct 2012. Therefore NG is seeking an increased user commitment for nothing more than a paper exercise. We consider it is only possible for NG to bring forward this issue due to the governance arrangements of the ExCR. This principle was not discussed during the development of enduring exit reforms and has been introduced at the 11 th hour.	Previous ARCA determinations have retained a one year User Commitment pending the outcome of exit reform. As it is now clear that a 4 year User Commitment has been deemed appropriate for the enduring regime, NG NTS believes that it is only appropriate to apply this from this point forward. In effect we have not brought forward an element of the enduring regime, instead we have been awaiting the outcome of the debate, as referenced in previous ARCA determinations, and are now applying the agreed principle from this point forward.	No change
2.6 SSE	Transitional ARCAs: revised	SSE do not support NG’s proposal to introduce a four year user commitment in the transition period. We do not consider this to		

	commitment	<p>be appropriate, since this is a feature of the enduring arrangements and should not be implemented earlier.</p> <p>It has only been possible for NG to bring forward this issue due to the governance arrangements of the ExCR. In retrospect SSE believes that too much of the detail of exit reform has been left for inclusion in the ExCR and would have been better placed in the UNC and the more rigorous modification proposal process.</p>		
2.7 BUS	Transitional ARCAs: revised commitment	<p>Taken in isolation we are not persuaded that an ARCA should necessarily impose a 4-year User Commitment. Whilst this may be consistent with the enduring period, the transitional period should be considered separately and retain a 1-year commitment. However, a 4-year commitment would be more acceptable if National Grid were to accommodate the 2nd suggestion made above [see 3.8] to afford essentially the same rules to capacity applications made as a direct result of capacity shortfalls following the initialisation exercise.</p>		
2.8 AEP	Transitional ARCA: date of revised commitment	<p>Paragraphs 21 and 32 should be consistent with covering letter where describing ARCAs under negotiation before 23 February or signed before 1 May.</p>	Agreed	<p>Paras 21 and 32 (Part A) amended to include: <i>“and not signed before 1 May 2009”</i></p>
2.9 BUS	Reduction process	<p>Given the introduction of a User Commitment Amount, it is important that the process for applying to reduce capacity is clear. We suggest that paragraph 67 (c) be more explicit such that it says “...at which point any associated User Commitment must have been, or is forecast by National Grid to be, satisfied”. This change will ensure that a user can have confidence that its application for a reduction will be unconditionally accepted, based on National Grid’s assessment of forecast prices and not therefore subject to any actual price changes that could result in the user Commitment not being met in full.</p>	<p>NG NTS does not believe that the suggested clarification is required. The determination of whether the User Commitment “will be” satisfied is unambiguous as detailed in para 67 b (Part B). NG NTS does not need to “forecast” prices as the assessment is based on actual prices published before the assessment is undertaken.</p>	No change.
2.10 EDF	Transitional ARCAs: revised commitment	<p>In particular we would note that NGG are proposing a 4 year User Commitment for any ARCAs signed in the transitional period to be consistent with the enduring arrangements. However NGG appear to be choosing to adopt the most favourable elements of the enduring regime. We would therefore expect NGG to make a firm commitment to offer an</p>	<p>See answer to 2.5, 2.6 and 2.7, in particular: “In effect we have not brought forward an element of the enduring regime, instead we have been awaiting the outcome of the debate, as</p>	No change

		<p>ARCA within 90 days and to accept the same securitisation as currently covered within the UNC. This would also be consistent with the enduring regime</p> <p>We would also note that in Part A Paragraph 21 of the ExCR NGG note that full details of the User Commitment will be detailed in the ARCA. However there are no details either within the ExCR or the ARCA as to what tools are acceptable to NGG for securitising the User Commitment, with Clause 5.2 of the ARCA providing sole discretion to NGG as regards acceptable security tools. Given the requirement to be consistent with the enduring period, it would appear that UNC security tools should be acceptable, however it would be beneficial were this to be explicit either within the ExCR or ARCA.</p>	<p>referenced in previous ARCA determinations, and are now applying the agreed principle from this point forward.”</p> <p>The prevailing security requirements for capacity acquired under the UNC are specified in the UNC.</p> <p>Security arrangements for ARCAs will be detailed in signed ARCAs. These may justifiably differ from the UNC as the parties entering ARCA agreements are not necessarily Licensed entities bound by UNC provisions.</p> <p>NG NTS intends to raise a UNC Modification proposal to change the security arrangements before the July application window. We would anticipate that these rules, where appropriate, would also apply to ARCA arrangements.</p>	
2.11 NGN	Increases	<p>NGN are supportive of the concept that the 4 year User commitment rule be refined to take account of the scenario, where the User Commitment associated with capacity increases above baseline, are for capacity levels currently agreed for the transitional period.</p>	See 3.2	No change
2.12 NGN	Relief from UC	<p>Should a User signal retention of the existing capacity (but above the baseline), they would be subject to a four year User commitment. NGN fully support the thinking that any capacity signalled in July 2009 that did not require a revenue driver and/or was below or equal to the existing transitional (agreed) holding, then this request would not be subject to a User commitment</p>	See 3.2	No change

2.13 NGN	Early Discharge	NGN welcome the revision to the ExCR which accommodates the possibility of User Commitments being discharged before 4 years have passed, where actual charges exceed the User Commitment amount. NGN also believe that since User Commitment charges are based on indicative charges (some 3 years out), then it is these charges that should be the basis of any repayment (where lower than actuals). It is unreasonable for DNs to stand the risk of actuals being higher. Given that 4 years is a reasonably arbitrary timeframe for User Commitment, the actual repayment period may typically fall a few months (maximum) short of this 48 month period. This risk, however minimal should rest with National Grid Transmission	NG NTS welcomes the support provided for the revised proposal. See 2.2.	No change
2.14 RWE	Increases	With regard to the issue of the user commitment associated with capacity increases above baseline that were allocated before 1 st October 2008, we would support National Grid's suggested approach as a pragmatic way forward	See 3.2	See 3.2
2.15 RWE	Transitional period - ARCA	However, to the extent this may not resolve all the teething problems associated with the initialisation of the enduring exit regime we consider an alternative approach could be to temporarily remove the 20m therm p.a. ARCA limit in the transitional period, say for 1 year. Doing so could allow Users who have secured relatively small amounts of existing capacity above baseline both before and after 1 st October 2008 to apply for an ARCA for such capacity. To the extent investment was not required NG could enter into an ARCA for such capacity, which would become an enduring right from 1 st October 2012 on top of what was allocated through the initialisation process. Whilst any such ARCA would have a 4 year user commitment, a significant proportion of this would be likely to be discharged in the transitional period thus lessening the impact at the start of the enduring period.	NG NTS is aware of the issue and believes that the solution proposed in 3.2 is a suitable compromise. The idea of signing ARCAs for amounts below 20 m therms p.a could result in numerous ARCAs. For example in the period between setting baselines and the initialisation of the enduring regime, we have had over 50 transitional increases. We therefore do not consider this a pragmatic solution, particularly as reduced ARCA administration costs were one of the benefits identified, in the Ofgem Impact Assessment, through introduction of exit reform.	No change
2.16 CSL	Transitional period - ARCA	CSL agrees that the ARCA commitment in the Transitional Period should be aligned to that in the Enduring period to avoid any undue incentive in applying for ARCAs in the Transitional Period as the 4 year User Commitment could be avoided under	NG NTS welcomes the support for the revised proposal.	No change.

		the current arrangements		
2.17 CSL	Early satisfaction	CSL supports the early satisfaction of the User Commitment amount as this is now reflective of the discussions which were held at the Review Group workshops tasked with designing the enduring regime. This also provides a degree of certainty to Users in that they are aware of the extent of their liability regardless of the degree of variance in capacity charges	NG NTS welcomes the support for the revised proposal.	No change.
2.18 IGN	Increases above baseline	<p>InterGen would like to highlight the issue regarding the user commitment associated with capacity increases above baseline allocated after the initialisation. In our opinion the issue extends beyond that described in the covering letter as this will continue to be a concern for capacity increases allocated throughout the transitional period.</p> <p>Under the proposed methodology, any request for increased capacity which is below the ARCA volume threshold must be requested using the July window for capacity Y+4 onwards. This will require a 4 year user commitment irrespective of if the capacity has been allocated in shorter timescales using the SPA process and the user has been paying for the additional capacity for a period prior to Y+4. In addition, the user commitment is based on the full volume of the capacity at an exit point despite the increase being relatively small, implicit in the fact an ARCA cannot be requested.</p> <p>InterGen proposes the following way to manage this issue Reduction or removal of the volume threshold for ARCA agreements. This would mean all incremental requests are swept up prior to October 2012 and made enduring. InterGen does not believe this would substantially increase the number of ARCA requests to unmanageable levels.</p>	See 2.15	No change
2.19 IGN	Volume below ARCA threshold	<p>the following proposal are also worthy of consideration:</p> <p>Where the volume is below the threshold for an ARCA agreement, the user commitment should begin from the day the additional volume is allocated and this be referenced in the application made in the July window.</p>	NG NTS can see some merit in this proposal, however there is no linkage or commitment associated with the SPA process and an application in the July window or via an ad hoc application. Therefore we do not think that this is a viable solution to include within the ExCR.	No change

			See also 3.2, which we believe is a suitable compromise.	
2.20 IGN	Increases with no investment required	Where increased capacity has been allocated which does not require investment in infrastructure to accommodate, the user commitment should be confined to the incremental volume of the capacity at the exit point.	NG NTS disagrees with this suggestion. Every incremental signal creates enduring obligations for NG NTS, therefore an incremental request may require investment, due to the acceptance of an incremental request that did not need investment. Hence NG NTS believes that it is appropriate that the same User Commitment should apply and it should apply for the full amount, otherwise the User of the initial request could reduce within the 4 year period and make the investment undertaken for the later signal uneconomic and inefficient.	No change.
2.21 EON	Possible Change to User Commitment via ExCR	Of the terms and conditions that we believe should be more properly set out in the UNC those relating to user commitment and capacity release are the most important. Many users will be concerned to hear that the user commitment in particular could be extended through a change to the ExCR after just one month's consultation and that unlike the UNC shippers do not have a right to formally proposal alternatives to such arrangements. We would therefore urge NGG to propose a modification to bring forward a proposal to transfer the user commitment rules into the UNC.	NG NTS has not made a change to the User Commitment arrangements that were established as part of the enduring exit reform discussions. In terms of whether the User Commitment should be defined in the UNC or the ExCR, NG NTS believes that it is appropriate for it to be defined in the ExCR. The ExCR is largely focussed on the release of enduring capacity and brings together and further elaborates on the key principles from the	No change

			Licence and UNC to ensure a coherent and holistic articulation of the regime. Whereas the UNC is predominantly concerned with the release mechanisms and does not cover the broader principles.	
2.22 EON	Prevailing rights and ARCA commitments	Please refer to detailed comments made by the Association of Electricity Producers.	See 2.5 and 3.2	See 2.5 and 3.2.
3- Initialisation				
3.1 NGD	Transitional increments without investment	<p>The proposed User Commitment regime in combination with the initialization of capacity results in Distribution Network Operators being required to ask for incremental capacity at offtakes where no real increase is required (in fact peak demand may be declining) and then be committed to pay for four years. This has the potential of locking in higher charges that will be passed on to LDZ connected consumers in situations where no investment is in fact required by NTS to support provision of the capacity.</p> <p>Within the covering letter there is a reference to a potential solution to the User Commitment issue however it is not clear what the bullet “does not require a revenue driver” means. We support the alternative approach outlined but think that no User Commitment should be required unless NTS can demonstrate clearly that investment is required to support the provision of this incremental, but in practice currently used, capacity.</p>	NG NTS welcomes the support for the suggested proposal but believes that a revenue driver is the most appropriate test to determine whether a User Commitment should apply as it determines additional revenue for NG NTS and therefore additional costs on Users.	No change
3.2 AEP		We welcome NG’s proposal to address some of the issues that arise through the initialisation of the enduring arrangements where incremental capacity has been released above the enduring baseline. Under current rulesUsers would have to signal for incremental capacity from Oct 2012 and make the associated user commitment from that date, even though they will have already been paying capacity charges on that incremental amount for a number of years. We consider this to be an unforeseen consequence of the new arrangements. NG’s proposal has merits but we are unsure as to why the 1 Oct 2008 cutoff date was chosen. It would be more logical to align this	<p>We welcome AEPs support for the suggested proposal and agree that the date of 1 October 2008 should be revised.</p> <p>We believe a more appropriate date would be the 1 May, as this would be consistent with the proposed date for the change-over in treatment of ARCAs.</p>	<p>Para 69 (Part B) amended as follows:</p> <p><i>“b. in the July 2009 application window, which do not require a revenue driver and are below or equivalent to the transitional firm capacity confirmed by National Grid before 1</i></p>

		date with the date the new ExCR becomes effective.	Based on the overall support provided for the suggested proposal we have amended para 69 (Part B).	<i>May 2009 at that exit point</i> In addition "Subject to" changed to " <i>notwithstanding</i> "
3.3 SSE	Cut-off date.	Regarding the cut off date of 1 Oct 2008 we do not support this arbitrary date and consider that before the 1st April 2009 should be used as the date of implementation of 0195 AV.	See 3.2	See 3.2
3.4 AEP		<p>However we also consider that there is a similar issue going forward in that NG may release incremental capacity above the enduring baseline where no investment is required, but that this may not lead to enduring rights unless an ARCA is agreed. The rules already allow for capacity provided via an ARCA to lead to enduring rights post Oct 2012. Under current rules any incremental capacity released in this way will be scaled back to baseline in the initial values provided in May and Users would have to signal for incremental capacity from Oct 2012 and make the associated user commitment from that date, even though they will have already been paying capacity charges on that incremental amount for a number of years. Furthermore if Users are unable to signal an incremental request in July 09 and do this in July 10 then enduring rights will not be available till Oct 2013, leaving a gap of a year where they have to rely on NG discretion to make available non-obligated incremental flat or to use permits for early release, and NG may then receive upside revenue for releasing capacity that it has done previously prior to the enduring regime.</p> <p>We consider that a way forward in this would be to provide ARCAs for capacity increments even if they fall below the 20Mth threshold. The UNC drafting already provides for enduring rights to be established where an ARCA is in place. However in conjunction with this some revision of baselines may be necessary, else NG may end up being obliged to provide annual flat capacity and daily capacity beyond system capability.</p> <p>We hope that NG will bring forward a practical solution to this issue to avoid parties being potentially disadvantaged by having to effectively commit to >4 years exit charges in order to secure</p>	<p>With regard to lowering the ARCA threshold please see 2.15.</p> <p>The issue of the "gap year" is not specific to the transitional regime; it is a characteristic of the enduring regime, where incremental capacity is released from 38 months. Therefore Users will need to understand their incremental capacity requirements, where they are lower than the ad hoc thresholds, this far in advance or be satisfied with relying on non-obligated capacity in the intervening period. If Users consider this a significant issue we would need to potentially devise a new release mechanism, which is out of scope for this ExCR consultation.</p> <p>NG NTS believes the suggested proposal to deal with transitional increases 3.2 mainly mitigates the specific transitional concern.</p>	No change

		enduring rights or risk there being a 'gap' in their capacity holdings merely as a result of the implementation of new arrangements and the relatively late identification of unforeseen scenarios and their consequences.		
3.5 SSE	Revenue Driver	SSE support NG's proposed solution to remove the revenue driver and User Commitment obligation from the initialisation of the enduring arrangements where incremental capacity has been released above baseline before 1 Oct 2008 and is applicable in the transition period. Currently this would be scaled back to baseline in the initialisation process in May and Users would have to signal incremental capacity from Oct 2012 and make the associated user commitment from that date.	NG NTS welcomes SSE's support for the suggested proposal.	See 3.2
3.6 BUS	User Commitment	We understand the issue described in the covering letter and agree that the proposed solution is appropriate. However, this solution may not be sufficiently broad to capture all such transitional problems and further consideration of how the User Commitment is applied and/or fulfilled would be worthwhile. We make 3 suggestions for improvement as follows	NG NTS welcomes BUS' partial support for the suggested proposal.	See 3.2
3.7 BUS	User Commitment proposal	1. Put back the latest date for assessing a user's historical capacity holdings to 31 March 2009. This would mean enduring capacity applied for in July 2009 that (a) does not require a revenue driver and (b) is below or equivalent to the transitional firm capacity at that exit point allocated before 1 April 2009 would not attract a User Commitment. Since the new ExCR has a planned implementation date of 1 April 2009 it would be reasonable to extend the latest capacity holding date to the end of the current ExCR document's applicable period, i.e. 31 March 2009. We acknowledge that the change would not alter the rules for allocating initial enduring capacity but would contribute to the more sensible approach for the application of User Commitments that is being developed through this ExCR consultation process.	Agreed - NG NTS has proposed to amend the date to 1 May 2009.	See 3.2
3.8 BUS	User Commitment proposal	2. Allow Capacity Payments in the Transitional Period to Contribute to the User Commitment Amount In the event that a user is required to apply for enduring capacity in July 2009 to make up any shortfall between its capacity holding measured at	See 2.19	No change

		<p>31 March 2009 and its initialised level, then - the User Commitment Amount will be based on either best forecasts of charges for the next 4 years or 4 years' worth of charges based on the prevailing rate at 1 April 2009 and - the user's contributions towards the User Commitment Amount will commence with capacity charges paid on 1 April 2009. Therefore, monetary contributions towards fulfilment of the User Commitment would begin on 1 April 2009 and not be delayed until 1 October 2012. This will ensure that a user is not unfairly allocated a prospective User Commitment as a result of the initialisation rules and acknowledges the user's commitment to holding and using the capacity by virtue of its capacity payments during the transitional period. Otherwise, a 7-year user commitment would effectively apply.</p>		
3.9 BUS	User Commitment proposal	<p>3. National Grid to Proactively Facilitate Capacity Assignments This would enable a user wanting to secure enduring capacity to require National Grid to enquire whether or not current or prospective holders of enduring capacity at an exit point are willing to release capacity by means of assignment. In the event that a release is available, National Grid would facilitate the assignment. We believe that such a process would provide for efficient management of existing capacity and possibly avoid the need for National Grid to unnecessarily invest in incremental capacity. We note in particular that the differing lead times for applying for and releasing enduring capacity could give rise to inefficient capacity usage and provision (for example, users might seek to have enduring capacity assigned to them from 1 October 2012 rather than apply for enduring capacity in July 2009; National Grid might have to wait until July 2011 to be certain of the release of initialised capacity and have to invest, possibly unnecessarily, in incremental capacity to meet the capacity signalled in July 2009.)</p>	<p>The ability to assign capacity becomes live on the 1 August 2011. NG NTS would be willing to explore its role in facilitating assignments with Users, however without UNC changes this would not assist in the July 2009 initialisation process. This is also outside the scope of this consultation.</p>	No change
3.10 RWE	Reservation Party	<p>Paragraph 71, page 39 – the last sentence of this paragraph is somewhat confusing as it is hard to see how the Reservation Party could have paid any of the user commitment in the circumstances described in sub paragraph b. However, in the unlikely event they had paid anything towards the user commitment presumably this would have to be deducted from the User's obligation otherwise National Grid would over recover.</p>	<p>NG NTS considers the wording of para 71 (Part B) appropriate. If a User registers an amount less than the ARCA reserved quantity, its User Commitment Amount will be based on this value. The reservation party will then be invoiced for the unregistered</p>	No change

			incremental amount on each anniversary.	
3.11 CSL	Increases above baseline	CSL also notes NGs request for views on how to manage the issue of the User Commitment associated with capacity increases above baseline that were allocated before 1 October 2008. As the initialisation process pares capacity back to baseline levels, those with firm capacity above baseline applicable in the transitional period will be subject to a four year User Commitment if they signal for the capacity in the July application window for use in the enduring period CSL believes that this is inappropriate given that the issue seems to be one related to the miss-timing between setting baselines and the implementation of exit reform and is no fault of the User. CSL sees that the solution NG proposes could work but would welcome a separate consultation on this issue consulting on the Users views submitted through this consultation on how to best manage the issue.	NG NTS welcomes CSL's partial support for the suggested proposal. However we do not currently intend to undertake a further consultation on this issue.	See 3.2
3.12 CSL	Setting baselines	Continuing in the theme of setting baselines, CSL believes that the situation discussed could have been avoided somewhat if NG had undertaken a review of baselines before the exit capacity initialisation process begins. This revision would also have taken into account the associated impacts of entry investment on exit capability thus reducing the total level of User Commitment and risk borne by Users in relation to the new regime. CSL understands that NG has a licence obligation to conduct this exercise from time to time and is disappointed that this has not been done in time for the initialisation of the new regime.	The requirement to provide a baseline revision methodology statement has been deferred until 4 January 2011. Therefore NG NTS has not been in a position to undertake baseline revision.	No change
4 –Licence issues				
4.1 NGD	Revenue Drivers	Para 36 states that NTS require a revenue driver in their Licence for an exit point before obligated capacity can be released because this will inform their investment decision. However it appears to us that if a User will commit to obligated capacity then NTS has either to invest or risk having to buy capacity back. The revenue driver is irrelevant to this decision.	NG NTS accepted a default 38 month lead time, based on having an agreed revenue driver in place at the time of capacity release – as is the case for entry capacity. The value of the revenue driver influences the investment	No change

			decision and is a key determinant of whether NG NTS would use a permit to either bring forward or push back the release of exit capacity. NG NTS therefore maintains that a revenue driver is required before NG NTS releases funded incremental capacity.	
4.2 AEP	Revenue Drivers	<p>We recognize there has been much discussion over NG's wish to have revenue drivers agreed prior to releasing incremental capacity, and for new points to be identified in the licence. We accept that NG needs to know that users or developers intend to bid at a particular point prior to the applications process and that an indicative price needs to be provided. Beyond this we do not agree that revenue drivers need to be established prior to the application process, we consider this effectively extends the lead time beyond that established in the licence and is out with the spirit and principles of the user commitment model established by 195AV. In addition it may be inefficient to calculate a number of revenue drivers for a range of increment sizes and better to calculate just one, once the increment has been signalled.</p> <p>We expect NG and Ofgem to seek to streamline these processes to provide clarity to participants and to shorten the leadtimes involved. This is of a particular concern in respect of the ad hoc process which has been identified as requiring more work on some of the detailed elements.</p>	<p>It is important to differentiate between price setting / inclusion in the application invitation compared to revenue drivers (see 4.1).</p> <p>In terms of setting prices / inclusion in the application invitation advance notice is only required for new points. The application invitation is issued one month before the application window and indicative prices are intended to be published on the 1 May. Without the exit point being specified in the Licence National Grid is not obliged to release capacity and the point would not appear in the annual invitation. It would also not be included in the transportation model and hence there would not be an indicative price on which to base the User Commitment Amount.</p> <p>Therefore to get a point in the Licence in time to allow prices to be generated and for the point to appear in the application invitation, we believe that the latest notification NG NTS can accept is 1 April. This is also consistent with the "6 months" specified for the generation of a revenue driver.</p>	No change

			We believe the process detailed is appropriate and places no undue restrictions on Users. However as discussed in the ExCR cover letter we will continue to work with Ofgem and Industry to seek to streamline these processes.	
4.3 SSE	Revenue Drivers	It has also been suggested that revenue drivers are required to allow NG to determine future transportation charges at the time capacity is due to be released in order to calculate User Commitment. Again, we believe this is fundamentally flawed. The User Commitment is an arbitrary figure. Capacity charges in 3 years time will not bear any relation to the investment undertaken by NG NTS and capacity charges in 3 years time are likely to be very different from the original assumption for a number of reasons. We hope NG and Ofgem to seek to streamline these processes to provide clarity to participants and to shorten the lead-times involved. This is of a particular concern in respect of the ad hoc process.	See 4.2. We agree that a revenue driver is not required to determine future transportation charges that feed into the User Commitment Amount.	No change
4.4 SSE	Inclusion of Exit Points in Licence	SSE believes that the proposed requirements to have NTS exit points specified in the Licence will extend the lead-time for delivery of capacity unnecessarily. It undermines detailed industry discussions that have taken place to establish appropriate application timescales that were understood to fit with forecasting and planning requirements of participants and investment. It is inappropriate that such significant changes should be introduced out with the modification process.	See 4.2.	No change
4.5 BUS	Pre-application steps	Paragraphs 34 and 35 describe the need for pre-planning and discussion to ensure that the necessary foundations are laid to enable a successful application for enduring flat capacity where the successful application would result in the baseline level being exceeded. We are not convinced that this is the only route to success and question the length of time suggested as necessary to complete the pre-application process in addition to the lead time defined within the process for incremental capacity. We ask that National Grid considers the extent to which lead times can, by agreement with the Authority, be minimised and whether conditional prices or terms can be produced such that some activities could be operated in parallel	See 4.1 and 4.2	No change

		rather than in sequence.		
4.6 NGD	Licence reference	Para 18 refers to Licence SC C8E – Do Users have access to NTS’ Licence to see what this means?	Access to the Licence is available on the Ofgem website	No change
4.7 RWE	New Exit Points	However we are disappointed that National Grid continues to maintain that incremental enduring capacity requirements at new NTS Exit points need to be included in their licence prior to any application being allowed. This is despite National Grid appearing to accept that a valid mechanism exists under their licence whereby this can be avoided and Ofgem confirming that this is not licence requirement but rather National Grid’s preferred method for operating the regime agreed under the current price control.	See 4.1 and 4.2	No change
4.8 RWE	Revenue driver	<p>It is not clear to us whether National Grid consider it necessary to incorporate any revenue driver relating to incremental enduring exit capacity in their licence prior to an application being allowed. Paragraph 36 page 32 of the ExCR and comments at the Transmission Workstream suggest that this might be required (although we see no sign of this occurring in relation to the new sites now being proposed in Table 2 of Annex A to Special Condition C.8.E), but in any case it would seem impractical to amend the licence to include revenue drivers in advance of any application when there is so much uncertainty around whether an application will be made and if so for what quantity</p> <p>We do not dispute that National Grid will require a revenue driver to be agreed prior to an application such that they can decide whether or not to exercise an exit project permit. However to insist that any new site or required revenue driver is included in their licence prior to an application being allowed is unnecessary, inefficient and potentially of commercial advantage to National Grid (in that it lessens the risk of them having to exercise a exit project permit to extend the default lead time by providing significantly more notice of likely new projects).</p> <p>We do not accept that National Grid will not be required to make capacity available at a new NTS exit point if it is not included in their licence by an appropriate date (paragraph 35, page 32) as</p>	See 4.1 and 4.2	No change

		<p>any capacity allocated to such a site would be covered by the licence definition of NTS obligated incremental exit flat capacity and set out in the annual statement published in accordance with Special Condition C.8.E.4.e. As National Grid are obliged under Special Condition C.8.E.3.b to make available both NTS baseline exit flat capacity and NTS obligated incremental exit flat capacity they are not dependant on their licence specifying a zero baseline to be required to make capacity available at such sites.</p> <p>We believe that it is still possible for National Grid to amend the ExCR to address the concerns expressed above and in our previous dialogue, and we would urge them to do so. To the extent they do not however, we would strongly recommend they review these arrangements in light of their experience of this year's application process and following further discussion with Ofgem regarding revenue drivers, such that this inefficient process can be made more effective in time for next year's annual application window. To suggest that it could take up to six months to complete what is a wholly unnecessary licence change (paragraph 34, page 32) is both confusing and unacceptable and runs counter to the expectations given to Users throughout the lengthy discussions on enduring exit reform.</p>		
4.9 RWE	Permits	<p>Paragraph 89, page 43 - in our response to the informal consultation we suggested that this paragraph should make it clear that if National Grid played a permit to release capacity early but the User did not require early delivery, National Grid should not get any benefit. As the wording has not been changed we would ask National Grid to clarify whether or not they would benefit in such circumstances (by way of positive increases in the licence term $DLTDVEx_v$), and if so explain why this is appropriate.</p>	<p>NG NTS can confirm that we only benefit where the User has requested early delivery.</p>	<p>Para 89 amended to clarify obtaining permits:</p> <p>"...and this is earlier than the default lead time specified in the Licence".</p>
4.10 RWE	Term – Baseline Exit flow flexibility	<p>Paragraphs 105 and 106, page 47 – in light of Ofgem's decision to remove the term NTS baseline exit flow flexibility from the licence we would expect these paragraphs to be amended accordingly such that there are no restrictions on the quantity of NTS Exit (Flexibility) Capacity National Grid allocate in the enduring period providing this does not require investment. The definition of NTS baseline exit flow flexibility may also need to be removed from Appendices A1 and B2.</p>	<p>Agreed - assuming the Licence changes are implemented. However the changes cannot be made at present.</p>	<p>The Licence date stated in paragraph 4 (Part B) on which the ExCR is based has been amended to 30th March.</p>

4.11 CSL	Revenue driver	<p>NTS Exit point and Revenue Driver in Licence: CSL understands the need for this process and welcomes that the provision of this information ahead of the application window does not create a commitment to formally apply. That said, however, this was not flagged by NG or Ofgem in the exit reform workshops and CSL therefore encourages NG and Ofgem to seek to improve the application process</p>	<p>See 4.1 and 4.2 See also paragraph 34 (Part B) which states that “any information provided to National Grid in advance of a formal application will not be binding on the applicant”</p>	No change
4.12 EON	Revenue Driver	<p>There are a number of references in the documents to revenue drivers and the need to have prior discussions with NGG regarding likely and potential developments. Clearly new exit points have to be identified ahead of any capacity application for that point, but the need for NGG to obtain a revenue driver or a baseline should not be a direct concern for shippers as our contractual rights should be established in the UNC. What National Grid has negotiated as part of its license should not be allowed undermine its contractual obligation to make capacity available under the UNC.</p> <p>It is particularly inappropriate under paragraph 35 for NGG to suggest that; <i>“If a new NTS Exit Point is not included in the Licence the NTS Exit Point:</i> <i>Will not have an NTS baseline exit flat capacity</i> <i>.....without a baseline value National Grid will not be required to make capacity available at that NTS Exit Point;</i> <i>Will not be included in the NTS charging model and indicative prices cannot be produced.</i></p> <p>The whole point about the user commitment regime is it is supposed to be users that are in the best position to signal investment and therefore drive enhancement of the grid. One would thus have expected that this would have resulted in (subject to pre agreed revenue driver rules) in an ‘automatic’ increase in allowed revenue for National Grid. The clear intent of UNC 0195AV was provided that new users give the required user commitment the capacity will (not may !) be made available from the date applied for.</p> <p>It would be untenable if a failure of NGG to agree with Ofgem inclusion of a new Exit Point, baseline or revenue driver in their license introduced a delay in connecting a new load to the transmission system. The process should be simple; user commitment provided by user, National Grid make investment if</p>	See 4.1 and 4.2	No change

		required and Ofgem guarantee National Grid a return on investment. Instead we seem to have retained the existing central planning process where the usual planning and connection information provide the basis of real decisions, on top of which we have 'bolted-on' a complex user commitment regime. The trouble is that the timescales for this end-to-end process seem to be worse than the current regime.		
5 – Prices and Charges				
5.1 NGD	Applicable year for indicative prices	<p>Paragraph 76 refers to the indicative prices that underlie the User Commitment. It would be useful for it to be made clear that if we commit to an increase in Y+5 or later then it is the indicative price in Year Y that is used.</p> <p>In addition there should be a requirement on NTS to publish indicative charges by the 1st of May in each year.</p> <p>This is important to us because of the DN incentive arrangements in our Licence</p>	<p>We agree that the indicative price used for calculating the User Commitment will be the year of release, however we believe this is clear in para 76 (Part B).</p> <p>The intention is to publish prices by the 1 May.</p>	No change
5.2 NGD	Relevant charges	Para 67b. The text refers to charges paid by the relevant Shipper – we believe that this should read User, so as to include Distribution Network Operators.	Agreed. This comment is also applicable to “Shipper” references in para 74 (Part B).	Paras 67b and 74 (Part B) amended by replacement of “Shipper” with “User”.
5.3 RWE	New Site	Nor do we accept that unless a new site is in the licence it cannot be included in the NTS charging model and so an indicative price cannot be produced (paragraph 35, page 32). Indicative prices for new sites that may or may not apply in the application window need not appear in the Transportation Charging Statement but could simply be stated in the application invitation letter (although even this is not strictly necessary as under UNC Section B.1.8.4 they could be provided to individual Users immediately prior to the start of the application window, or in an ad hoc capacity offer). To the extent any new site applies and is allocated NTS obligated incremental exit flat capacity the site could then be added to the Transportation Charging Statement at the next revision	See 4.2	No change

6 – Exit Capacity Substitution				
6.1 NGD	Impact of delay to substitution	<p>Paragraphs 12 to 15 of the consultation discuss exit capacity substitution. Paragraph 15 states that it will be deferred until the obligations become effective and it is unclear what rules will be applied. This is sub-optimal because the potential to transfer demand from one Exit Point to another is an essential tool in managing the development of gas transportation systems whether NTS or LDZ. For example,..... In this circumstance the Distribution Network Operator would like to substitute their booking from one site to another. If they cannot do this they will be forced to pay for unused capacity at one site, whilst booking incremental capacity at the other. Unless NTS are actually obliged to invest to provide such capacity this is a perverse outcome that will systemically result in higher charges on LDZ connected consumers.</p> <p>There appears to be a link to this point on page 30 (paragraph 24) where there is a pledge in respect of making available unwanted capacity to other Users, however it is not stated how this is to be done. Presumably the substitution rules could be applied had they been developed.</p> <p>It is our belief that an appropriate substitution regime should be introduced at the same time as the new rules for Exit Capacity and this will also facilitate the release of unwanted capacity and prevent inappropriate charges being levied and / or inappropriate investment signals being generated.</p>	<p>NG NTS agrees that substitution should be beneficial particularly to DNs, however based on the experience of developing the entry capacity substitution it was considered appropriate to delay the introduction of the obligation until 2011.</p>	No change
6.2 RWE		<p>Paragraph 15, page 28 - we suggest this paragraph be amended to reflect Ofgem's letter of 24th February regarding these derogations</p>	Agreed	<p>Para 15 (Part B) amended as follows:</p> <p>“On 24th February 2009, Ofgem published an open letter giving notice to delay the provision of the exit substitution and baseline revision methodology statements until 4th Jan 2011. Accordingly,....”</p>

7 - Miscellaneous				
7.1 NGD	Pressure	<p>Flat Capacity, Flexibility Capacity and pressure are intimately connected, however the first two of these are treated separately in these proposals and the third not adequately addressed.</p> <p>The proposed regime is most highly developed around Flat Capacity with prices and quantities, whereas Flexibility Capacity is quantified and the regime in respect of pressure ill defined by the rules. However, whilst Direct Connects, and by extension the Shippers with an interest in them, have limited interest in pressure (provided it is above a minimum level) this is not the case in respect of Distribution Network Operators.</p> <p>The offtake pressure available defines the amount of capacity that a Distribution Network Operator can extract from their existing pipeline network without investment and therefore all Distribution Network Operators have an incentive to want higher offtake pressures.</p> <p>In contrast NTS have the reverse incentive wishing to provide as little pressure as possible because then they will be able to access that driving force to enable them to maximise their capacity whilst also reducing their compressor fuel use.</p> <p>This interaction is very important across the NTS to LDZ system operator boundary, possibly the most important trade off of all, and yet has not been addressed appropriately throughout this process probably because of participant's unfamiliarity with the issues involved.</p> <p>We believe that it would be possible to directly relate pressure with capacity provided such that they reduce to one metric, however this would take some development. Without this it is likely that access to pressure will remain arbitrary, lacking in investment signals and generally unsatisfactory.</p>	<p>The ExCR is concerned with the release of capacity, we understand the linkage between flat capacity, flexibility and pressure and believe there may be merit in considering a pressure product. However this is out of scope for this consultation.</p>	No change.
7.2 NGD	Deemed capacity requests	<p>Para 60 The rules in respect of deemed capacity following an overrun are still to be clarified. For some Users this could affect their decision about capacity booking levels (i.e. whether and to what extent they risk booking capacity below an uncertain peak) because the amount of risk exposure is not known.</p>	<p>Agreed – we will seek to clarify the overrun regime in a timely manner, although this is out of scope for the ExCR consultation.</p>	No change

7.3 NGD	Process timetable	Para 66 The timing for revised applications where an initial reduction request is rejected is very tight and leaves little or no opportunity to revise other bookings. (In fact the relative timings are generally tight particularly in relation to Flexibility Capacity bookings.)	This is specified in the UNC and we acknowledge that the process creates time pressure both on NG NTS and the DNs. NG NTS would be keen to explore this issue with DNs. However this is out of scope of this consultation.	No change
7.4 NGD	Increase / decrease processes	Para 80 Increases are processed as “increase by” (i.e. relative amount), whereas decreases are processed as “decrease to” (i.e. to an absolute level). It is not clear why there is a different approach to increases and decreases.	In order to be able to assess reductions and deal with previous stepped increases, it is necessary to adopt this approach.	No change
7.5 AEP	ARCA threshold	An associated issue here is how the 20Mth threshold relates to the daily capacity increment, since it is the increment that will drive network analysis, planning scenarios and investment. We accept the threshold no longer applies in the enduring regime and consider it may be best just to remove this during the transition period.	On application for an ARCA the reservation party specifies their annual consumption based on their expected load factor. With regard to removing the threshold please see 2.15.	No change
7.6 AEP	Timing of offers:	There are discrepancies between the Ad hoc process, which is detailed on mod 195AV and that for non-users in particular paragraph 46 and 59. Under the adhoc process NG must provide an offer within 90 calendar days where works are required and 15 business days where no work is required. Whereas for non-users NG will only use reasonable endeavours to make an offer within 90 calendar days whether works are required or not. We consider the arrangements for non-users should be aligned to those for users which are detailed in the UNC.	Where possible the processes for non Users and Users have been aligned, however as non-Users can also apply during the July application window more flexibility is required to deal with their requests. In addition the ARCA process is a bi-lateral negotiation outside of the UNC.	No change.
7.7 AEP	Demonstration information	we agree that this will need to be agreed on a case by case basis but consider that NG should seek feedback on the type of information that may be available prior to issuing a guidance note.	NG NTS will make the demonstration information guidelines available to industry participants. We are happy to receive feedback on the document.	No change
7.8 AEP	Capacity release lead times	Paragraph 85, wording should be made consistent with licence.	NG believes that the ExCR is consistent with the Licence and the intent of the Licence which states “the default of 38 months starting from the first day of the month following the end of the annual invitation period”	No change

7.9 AEP	Simplification of ExCR	As a longer term forward looking issue we think consideration should be given to simplifying the ExCR such that it avoids replicating significant chunks of the UNC, and provides a single governance process. We do however recognize that a simpler version will still be required to allow developers to reserve capacity and we accept that this may require a change to NGG's licence.	NG NTS is happy to receive feedback on how the document could be simplified and/or improved. With regard to where information should sit please see 2.21.	No change
7.10 SSE	Simplification of ExCR	The ExCR has become a document of considerable length and complexity. At a time when significant investment is required in the UK's infrastructure this complexity is unfortunate. With hind-sight it would have been better from a development perspective to have included the detail of the ExCR in the UNC. We welcome NG's informal pre-consultation that allowed early comments and concerns to be raised and in some cases accommodated.	n/a	No change
7.11 BUS	Future development	the document is well organised and contains a considerable level of detail on a range of possible scenarios requiring capacity management and release. We expect that there will be on-going evolution of this document as first we enter the transitional period and perhaps encounter issues that had not been previously considered and second, as thoughts turn ever more to planning for the enduring period, there will be a need to better articulate some of the UNC business rules such as the treatment of overruns and the deemed application for enduring capacity. The intimated development of business rules for interruption and flexibility capacity will most likely also lead to a requirement to further amendment of the Statement.	n/a	No change
7.12 BUS	Security	In paragraph 11 a reference is made to an "unambiguous User Commitment" for triggering release of incremental flat capacity. This is necessary to protect the investment made by National Grid and also to protect all other Users from having to subsidise any such investment in the event of a User (or Developer) default. UNC Modification Review Group 221 (Review Proposal 221 – Review of Entry Capacity and the Appropriate Allocation of Financial Risk) is currently addressing the implications of such defaults for entry capacity and how more appropriate credit arrangements and safeguards can be put in place. We trust that any developments to improve the safeguards for entry capacity will also be applied, as a holistic solution, to exit capacity.	NG NTS intend to raise a Modification proposal to incorporate the findings of review group 221 before the July application window	No change

7.13 RWE	Obligated Incremental flat	Paragraph 23, page 30 – in our response to the informal consultation we suggested replacing the word “may” in this paragraph with “shall”. As National Grid have not done this we would be grateful if they could explain under what circumstances they would not be required to release NTS obligated incremental exit flat capacity (in response to valid applications) in accordance with the ExCR and their licence.	In response to a valid application for Enduring Annual Exit (Flat) Capacity NG NTS will release any unallocated baseline capacity before releasing incremental capacity. This may occur, for example, where a Shipper at an interruptible site reduces its initialised allocation and subsequently wishes to access firm capacity. However, paragraph 23 (Part B) can be clarified.	Para 23 (Part B) changed to “ <i>shall</i> ”, “ <i>UNC</i> ” added and extended with “where there is insufficient unallocated NTS baseline exit flat capacity to satisfy the application”.
7.14 RWE	Ad hoc application	Paragraphs 84 & 85, page 42 – reference should be made in either or both of these paragraphs to the fact that under the UNC National Grid is obliged to use its reasonable endeavours to make enduring capacity requested under the ad hoc process available as close as possible to the earliest date specified in the application.	Agreed	Para 85 (Part B) new sentence added: <i>“However National Grid shall use reasonable endeavours to meet an earlier delivery date specified in an ad hoc or ARCA application”</i>
7.15 IGN	Incremental increases Transitional period	Inclusion of all incremental increases above baseline during the transitional period, where no investment in infrastructure has been required, in the ARCA sweep up in September 2012. This would remove the requirement for reapplication in the July window for additional capacity which has already been allocated.	We do not consider this suggestion appropriate as this would require a further assessment of these releases against the enduring obligations. It would also provide an undue incentive for Users to register for capacity shortly before the start of the enduring regime. Also please see 2.18	No change
7.16 EON		There is a typographical error on page 4, change “TRANSITIONAL” to “ENDURING” in the “PART B” heading.	Agreed	Contents list corrected.
7.17 NG NTS	Early contact with NG NTS		Clarification added to paragraph 88. Applies to both ad-hoc and ARCA submissions.	Paragraph 88 (Part B), add “ad-hoc submission or ARCA submission”.