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17th March 2010

**Re: Consultation on the NTS Exit Capacity Release Methodology Statement (ExCR)
in respect of the Transitional and Enduring Exit Periods**

Dear Lesley,

Thank you for the opportunity to comment upon National Grid's (NG's) proposed ExCR. We have set out below, by section and paragraph number, our comments/questions.

General section

15 - Flow flex still exists in UNC and forms part of the OCS process and is referred to in the ExCR. Although the publication of Flex availability is not a requirement under C8E it would be helpful to Users (especially DNO Users) if Flex availability information could be provided. This could be at a national aggregate level but would be more helpful, especially to DNO Users, at a zonal level. It would seem sensible that the baseline statement would be the most appropriate place for publication of such information.

Part A: Transitional Exit Period

5 - This paragraph has caused some confusion. It refers to "existing NTS Exit Capacity", is this "Existing System Exit Capacity" (ESEC) as defined in paragraph 14? What appears as 'baseline' in the transitional period seems rather irrelevant to Users as additional capacity is either ESEC or Incremental Exit Capacity (IEC). Presumably, any additional capacity requests that are within the baseline could not be refused by NG? If NTS have no obligation to release capacity up to the baseline (as the definition in Appendix 1 suggests) then what role does the baseline have?

13 - Presumably the "request" made by a DNO User is made via the OCS process?

14(1) - This amended paragraph defines ESEC is not clear. The summary change document suggests that this has been amended to clarify that capacity that has been 'committed' in the Enduring Period can not be compromised by bookings in the Transitional Period; this is not clear in paragraph 14. It is also not efficient use of system capacity in the transitional period if there is a

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

short term need for additional capacity by Users. The paragraph also refers to 'Shipper Users' and then goes on to mention Enduring Exit Period, we presume this refers to all Enduring capacity and not just that held by Shippers Users in the Enduring Exit Period?

14(2) - ESEC should also allow for NG to include capacity that could be made available under certain conditions (i.e. away from peak day requirements). DNO Users already supply 'Forecast Offtake Information (as required by UNC OAD Section H2.7) that detail requirements away from peak day but we are unsure how, or if, this information is used within this process. This would avoid inefficient and uneconomical investment to be made (in the NTS or DN) for capacity that actually already exists. We would be happy to provide further information and actual scenarios where this would apply.

14(3) - When carrying out network analysis for a particular NTS Exit Point, does this include any diversity factor / assumptions?

15/16 - Reference is made here to "obligated" incremental exit flat capacity and suggests that the baseline amounts are "*capacity which is offered for sale*". As per the comments above in relation to paragraph 5, this seems to be an inconsistent definition of NTS baseline?

25 - Slight typo's (additional spaces) when referring to 'Uniform Network Code' and 'User'.

29 - If the IEC is less than baseline (which seems possible) then the appropriate funding already exists (via the baseline / licence). Also, what is included in "incremental costs"? Is this related to reinforcement activities or does it include general operating costs (i.e. compressor usage)? It may be worth, to add clarity, to define in the ExCR the term "Incremental Costs".

35/40 - Ok

39 - If there is no NTS investment required then why would the requested capacity not be classified as ESEC (this may be related to the difference between 'investment' and 'incremental costs')?

Appendix A2 - The 2 flow charts in Appendix A2 suggest that they only relate to IEC whereas, if no costs are incurred / investment required then capacity can be released. In this scenario wouldn't the capacity be ESEC and not IEC? Rather than have these 2 flow charts would it not be better to combine them and make them applicable to all capacity requests within the transition period (and the result determines whether it is IEC, ESEC etc)?

41 - This paragraph now includes Assured Offtake Pressure and we are not aware that this has ever been discussed as part of the ExCR process / content. As we have previously commented on, it seems illogical to us that an undeclared / unquantified 'increase in costs' will automatically lead to a capacity/pressure rejection. The additional costs that could/would be then incurred by the User (and in the case of DNO Users, passed on to Shippers) are likely to be far in excess of the 'increased costs'.

Part B: Enduring Exit Period

4(old) - Ok

4(new) - The inconsistency between licence and UNC has caused a degree of confusion. The diagrams provided in the ExCR are helpful in overcoming this although a change to UNC (or licence) to align the terms would seem the more appropriate action in the longer term.

10 - For NTS incremental exit flat capacity, is there a similar 'test' applied to that of the ESEC that exists in the Transition Period? For example, if incremental capacity is available (at no extra cost or without investment), is a User Commitment and/or revenue driver required or can the incremental capacity (or part of it) simply be made available?

12 - This paragraph refers to changes in baseline as a result of investment. How do baselines change, and in what time period, as a result of other actions (reductions, incremental release, project revenue drivers and any cases of allocations being greater than baseline)? Also, if obligated capacity is not reflected in published baselines, how do Users know what capacity is, or will be, available?

14 - Reference is made to exit capacity substitution being the ability to transfer unsold NTS Exit Capacity from one NTS Exit Point to another. As this is not now required until January 2011, we hope that this mechanism can be developed to include sold NTS Exit Capacity where the User wishes to transfer/substitute it to another NTS Exit Point. This will be of benefit to DNO Users where more than one NTS/LDZ Offtake feeds a particular network and would avoid the 'double-booking' of NTS Exit Capacity. We appreciate that this matter can not be addressed within the ExCR but look forward to further discussions on this at the appropriate industry forum.

19 - This paragraph suggests that all increases in Enduring Annual NTS Exit (Flat) Capacity will be subject to a User Commitment. If the increase can be satisfied by unsold baseline capacity then would the User Commitment still apply (is this discretionary?) and, presumably, a revenue driver not be required?

25 - Will the capacity that will be available following a reduction only be made available at the same NTS Exit Point? Is there any different treatment if this reduced capacity is within or above baseline?

29 - This paragraph is unclear as it refers to 'prevailing levels' of capacity (undefined)?

39 - We fully agree with this principle but, as referred to above, we are unclear as to where this obligated capacity would appear (be visible to Users) if it is not reflected in an adjusted baseline value?

42 - Whilst we appreciate the opportunity to amend applications as a result of pressure or flex rejections, additional Flat capacity is not a direct substitute for flex or pressures. We have also discussed the possibility of bringing forward the processes in September to allow for a greater level of dialogue to take place between DNOs and NG. We would welcome further discussion on this matter.

45 - This paragraph does add clarity to paragraph 44 although the term 'prevailing' suggests that there is a difference between 'prevailing Baseline NTS Exit (Flat) Capacity' and 'Baseline NTS Exit (Flat) Capacity'. We therefore suggest that the term 'prevailing' is removed (for clarity).

58 - This paragraph refers to 'non-Users' and we would suggest that this unnecessary (as only a User can have capacity allocations and therefore be able to be an Assignee or Assignor User).

68 - We welcome the opportunity to discuss further the arrangements for deemed applications that have arisen due to perceived overruns. As DNO Users, we believe that further work is required, and potentially UNC changes, to acknowledge the impact that DN flow swapping may have on flex capacity usage and overruns (flat and flex). These issues have been discussed in NTS led

workshops and we fully support the continuation of these sessions to allow all parties the opportunity to further develop such matters.

73 - If capacity is released at a NS/LDZ Offtake it will not be required by another User at that NTS Exit Point (as there can not be one). If the capacity is required at another NTS Exit Point, and could physically be made available, Can NG '*use their discretion*' and allow early reductions prior to exit substitution becoming a reality? We believe this is achievable although the incremental exit capacity that is taken at the other NTS Exit Point would not require a licence revenue driver (and may not be 100% of the released capacity).

117 - As with the comments above (Paragraph 58), we do not see why the term '*non-User*' is required in this paragraph.

125 - Although Shippers access flexibility via the OPN process it is unclear what assumptions / process is used to allocate initial flexibility to non-DNO Users. If a Shipper is required to book 24 times the maximum hourly quantity at an NTS Exit Point then they will be able to utilise, via OPN bookings, a third of this capacity as flexibility. If this is correct, do NG assume the worst case scenario and 'allocate' this flexibility to each NTS Exit Point regardless of the actual required profile?

126 - Following on from the comments against paragraph 125, how is additional flexibility released to non-DNO Users? If the flexibility allocation is a simple function of the allocated flat capacity, do all increases of enduring, or annual, NTS Exit (Flat) capacity at NTS System Exit effectively result in a greater flexibility allocation? If so, this will undoubtedly lead to reduced amounts of flexibility being available to DNO Users and will create the need for investment within the DN.

129 - Please see our comments above relating to paragraph 42.

131 - We are pleased to see that the definition of Exit Zone has been amended within the document. However, we are slightly unclear on the new definition of 'NTS Exit Zone' and how this differs from an 'Exit Zone' as defined within UNC TPD Section A1.3? If these are designated differently by NG then it would be useful for this to be explained in more detail within the ExCR.

132 - NTS Exit Areas are referred to here but are not defined within the ExCR (and are not UNC defined terms). Could a definition be provided please? Exit Zones under UNC are designated by NG NTS but there is a requirement for any changes to be subject to consultation. We would expect a similar process to cover the items within Appendix B1 (Exit Area, Exit Zone and Linepack Zone) as changes to these could have significant impact on all Users.

Appendix B1 - The preamble paragraph refers to Exit Area and Exit Zone and these are inconsistent with the amendments to paragraph 131. This also applies to the table headings.

Licence definitions: NTS exit flow flexibility - Whilst this no longer appears in the licence, this definition is slightly misleading where it states that it has no relevance in the Enduring Exit Period. Could this be clarified by adding that NTS Exit (Flexibility) Capacity is relevant to the Enduring Exit Period but is not contained within the licence?

General/minor comments

- No page numbers after p27.

- Within and beyond investment lead times can be misinterpreted (e.g. beyond can be read as you require 3 years prior notice but you can provide it beyond that i.e. 4 or 5 years). Also, are investment lead times always 3 years (or more)? If so then the 'within' investment lead times can no longer apply and should not appear within the ExCR (as it just gives false hope).
- There are several references to Modification Proposals 0263 and 0276, presumably these will be updated in line with the recent Ofgem decision letter.

Supplementary Question

We do not agree with the comments made at the Transmission Workstream on 4th February 2010 in relation to significantly shortening and/or simplifying the ExCR. Areas of the ExCR that duplicate either licence or UNC are helpful, as long as they do not contradict one another, as it allows all the relevant components of the process to be seen in a single place. By the very nature of the subject matter this document needs to be detailed and therefore will always present a level of complexity.

There are topics within the ExCR, such as User Commitment, that are not necessarily referenced within the UNC that we feel should have been. However, we appreciate that this is not a matter for this consultation and, if anyone wished to, would need to be addressed separately.

Hopefully these comments are helpful to National Grid and that the questions posed are merely points of clarification and will not adversely impact on National Grid's submission of the final ExCR. If you would like to discuss any of the above then please do not hesitate in contacting me.

Yours sincerely

{By email}

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