



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

26th March 2010

Executive Summary

Introduction

Special Condition C18 of National Grid's ("NG NTS") 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 18th February 2010 NG NTS initiated its consultation as part of the annual review of the ExCR. The principle changes proposed to the existing ExCR (version 5.0) were:

- 1) Part A (Transitional Exit Period). This section has been updated to reflect the shortening of the time remaining until the end of the Transitional Exit Period. With only a little over two years to the commencement of the Enduring Exit Period chapter 4 "Requests for Incremental Exit Capacity beyond investment lead times" is likely to be redundant. However, the chapter has been retained to cover any unforeseen eventualities.
- 2) To ensure continuity between the Transitional and Enduring Exit Periods initialisation rules are in place. These were largely implemented in 2009. However, both Part A and Part B have been updated to allow any further capacity registrations in the Transitional Exit Period to be registered at the start of the Enduring Exit Period.
- 3) Part B: (Enduring Exit Period) Terminology. Amendment to the Licence has seen the removal of a number of obligations relating to "flow flexibility" capacity. These Licence changes have been reflected in the ExCR.
- 4) Sections on capacity assignment and transfer have been introduced. The User Commitments applicable to the Assignor User and to the Assignee User in respect of assigned capacity have been specified.
 - The assignor will only be subject to a User Commitment on any unassigned capacity. This will only be possible if partial assignment is implemented and where the unassigned capacity is subject to a User Commitment before assignment is undertaken.
 - The assignee will be subject to a User commitment if either the assigned capacity or any existing capacity has a User Commitment attached to it.

In addition to User Commitment, clarification has also been provided on when capacity reduction requests may be rejected due to a potential negative registered capacity holding occurring. UNC modification proposals 263 and 276, which introduce partial assignment, will, if implemented¹, require the effect of any exit capacity management agreement and/or capacity transfers to be considered before accepting assignment requests. These scenarios are covered by the proposed ExCR.

¹ On 3rd March 2010 UNC modification proposal was implemented. An implementation date has yet to be determined.

- 5) Relevant Design Costs has been introduced as a new term. Where Works are required in respect of a capacity increase National Grid will pursue activities in relation to the Works. However, Works will only be progressed to completion if the User (or Reservation Party) provides sufficient information to demonstrate a genuine need for the requested capacity. In the event such information is not provided the User will be liable to National Grid for the cost of design works (UNC B3.3.7b). Relevant Design Costs defines the activities that National Grid may undertake, in the early stages of any Works project prior to committing to major construction activities, for which the User / Reservation Party may be liable.
- 6) An error in the definition of “ Q_{res} ” in the calculation of Daily User Commitment Amount has been corrected. As originally drafted the Daily User Commitment Amount reduces according to actual charges received. These charges relate to capacity reserved under the ARCA and only partly registered to a User. However, Q_{res} was defined as the capacity reserved under the ARCA *minus that registered by Users*. Hence registered capacity has been double counted (within Q_{res} and also in actual charges). This error has been corrected by re-defining Q_{res} .
- 7) Two scenarios have been added to exclude the User Commitment from applying to capacity increases.
 - Where there are corresponding decrease requests submitted by other Users. This change effectively allows assignment of initialised capacity ahead of the introduction of assignment. A time limit has been applied to this exclusion to coincide with the introduction, in UNC, of assignment processes.
 - Where the increase request is small, i.e. below 100,000 kWh/day. Increase requests below 100,000 kWh/day will not normally be permitted as they fall below the minimum eligible amount, however circumstances may arise, e.g. the revision of baselines in 2009, where this may be permitted. National Grid believes that it would be inappropriate for a User Commitment, applicable to the entire capacity allocation, to be required on the basis of such a small increase. This proposal is not intended to affect the application of the minimum eligible amount criterion.

NG NTS invited views in respect of the proposed revised ExCR to be made by 19th March 2010.

This document sets out NG NTS’ conclusions on its consultation on the proposed ExCR (version 5.1). 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: National Grid requested views on whether the ExCR should be significantly shortened and simplified. It was suggested at the Transmission Workstream meeting on 4th February 2010 that sections of the ExCR that duplicate UNC should be removed. A similar approach could be considered for sections that duplicate the Licence. Whilst it is infeasible for such a fundamental change to be implemented at this time National Grid sees merit in the suggestion. However, there are also potential disadvantages. National Grid will consider the views of respondents when undertaking the annual review in 2011.

Responses

Representations were received from the three respondents listed below.

Centrica Energy (British Gas Trading)	BGT
Wales and West Utilities	WWU
Association of Electricity Producers	AEP

The more substantive issues raised relate to:

- Capacity terminology within the ExCR and the inconsistency between the Licence and UNC.
- The definition of Relevant Design Costs.
- The implementation of UNC modification proposal 0276 relating to partial assignment.
- Requirement for Revenue Drivers 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 – User Commitment				
1.1 WWU	No investment	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?	A User Commitment is required irrespective of whether or not the requested capacity can be met from existing system capability and/or is below baseline. This is not discretionary.	None
1.2 WWU	Unsold baseline	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?	A revenue driver may not be requested if investment is not required and would not be available if the incremental request is not above the baseline quantity.	
1.3 AEP	Rules	33&34 These are helpful in providing clarity, but are in effect introducing new rules which we believe, along with all other aspects of User Commitment, should be in the UNC document.	These paragraphs are intended to provide clarity to the application of the User Commitment and hence are consistent with UNC. We note the view that they are helpful in achieving this, but see also section 9.	None
1.4 AEP	charges	Para 88 The principle here is that the User Commitment amount is reduced if charges paid in the previous period exceed the User Commitment due when calculated on a daily basis. However there is a double negative which may not achieve this effect. The definition of Charges actual should make it clear that this relates daily charges rather than the aggregate amount as in paragraph 84.	NG NTS agreed with this principle in consultations in 2009, and believes that this paragraph satisfies this principle. However, as there appears to be potential for misinterpretation and a double negative to be applied the paragraph will be amended.	Deletion of word "negative" in paragraph 88.
2 – Baselines				
2.1 WWU	Process for adjustment	12 - This paragraph refers to changes in baseline as a result of [entry] 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?	Baselines will not change as a result of reductions. If incremental capacity is released above baselines then the baseline will be adjusted when the capacity released moves from being treated as SO to TO, i.e. after five years.	None

2.2 WWU	Notification of obligated capacity.	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?	As stated in paragraphs 11 and 12, baselines may be adjusted (up or down) as a result of exit capacity substitution and/or exit capacity revision. Revenue drivers may be considered as part of the analysis of incremental capacity request but do not directly lead to baseline changes. After/before each application National Grid is required under UNC to publish such information, e.g. after the Enduring Annual Application the incremental quantity allocated will be published.	None
2.3 WWU	Baseline NTS Exit (Flat) Capacity	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).	"Prevailing" is used to clarify that the 125% rule applies to the baseline as may have been adjusted by previous increases, substitutions etc.	Modify paragraph 45 to state "prevailing Baseline NTS Exit (Flat) Capacity (i.e. the value at the time of application).
2.4 AEP	NTS exit capacity baseline statement	General Section para 16. This is unnecessary.	NG NTS believes this paragraph confirms that NTS baseline exit flat capacity will not be subject to change in the short term and hence adds value to some readers.	None
2.5 WWU	Baselines	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?	Paragraph 5 is intended to make clear that there is no correlation between baselines and ESEC. For the Transitional Exit Period baselines are of no relevance to Users, being relevant only in respect of NG NTS allowed revenue. Although unlikely, additional capacity requests within baseline could be rejected by NG NTS. Reference to "existing NTS Exit Capacity", is a reference to NTS Exit Capacity, as defined in paragraph 3, which in practice is also "Existing System Exit Capacity" (ESEC).	None

2.6 WWU		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?	This comment refers to paragraphs in the General Introduction and relates only to the Enduring Exit Period.	None
2.7 WWU		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".	If IEC is within baseline then funding is already provided, but IEC may also exceed baseline, in which case funding will be required. Incremental costs include operating costs, but may also include CV shrinkage and constraint management costs.	Part A paragraph 29. Footnote added. "Incremental costs include, but are not limited to, increased operating costs, CV shrinkage and constraint management costs".
3- Transitional Exit Period				
3.1 BGT	Capacity at Moffat	It would be helpful to include a description of how capacity will be allocated at interconnector exit points for the Gas Year commencing 1 October 2011: exit capacity is currently allocated in annual tranches and there will likely be a need for shorter tranches in the last Gas Year before the Enduring Exit Period commences. It may be preferable and necessary to raise a network code modification to enable this but we would welcome National Grid's views.	Capacity bookings should continue as normal without the need for part-year bookings. The fact that an existing annual tranche may overlap transitional / enduring periods is irrelevant as the bookings "fall away" on 30th Sept 2012 and are replaced by initialised values. This is a feature of UNC mod 0195AV. Hence a further UNC mod is not necessary.	None
3.2 AEP	Network modelling	14 Given the statement at paragraph 11 that any additional capacity registered in the Transitional Exit Period will not roll over into the Enduring Period (unless subject to an ARCA) it is not clear why the network modelling needs to take account of Enduring capacity holdings	Agreed. Enduring capacity holdings will be taken into account in respect of ARCA applications.	Part A paragraph 14 modified by addition of "where relevant".
3.3 WWU	Off-peak capacity	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.	Paragraph 14 does not exclude capacity from being made available as suggested. However, NG NTS will not release capacity where this creates obligations that cannot be satisfied. The proposal from WWU implies the release of a firm "off-peak" product which is not currently available.	None

3.4 WWU	Network Analysis	14(3) - When carrying out network analysis for a particular NTS Exit Point, does this include any diversity factor / assumptions?	Analysis is consistent with the Transmission Planning Code available from the NG website. This may include consideration of low supply patterns in the same location and other local capacity obligations.	None
3.5 WWU	No investment	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')?	In most cases this would be the case, but this paragraph captures scenarios where there may be additional costs, e.g. opex costs.	None
3.6 WWU	Flow charts	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)?	See 3.5 above. The two diagrams clarify the process for two different IECR release scenarios. They could be combined and expanded but NG NTS considers that the two scenarios are better described separately and that the ESEC process is relatively simple so does not require further explanation by way of diagrams.	None
3.7 WWU	Assured Offtake Pressure	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'.	The addition of AOPs merely aligns to current practice as AOPs and flexibility capacity are clearly linked. It is unreasonable that NTS Users and/or NG NTS should be exposed to additional costs arising from changes to DN requirements.	None
3.8 AEP	Disputes	22&33 Parties are also entitled to refer disputes to Ofgem subject to EU Regulations as transposed into UK law by the Gas and Electricity (Dispute Resolution) Regulations SI 2009 No 1349 which amended the Gas Act. It would seem appropriate to reference this here.	Agreed. As noted, the EU Regs quoted amend the Gas Act. Hence, we believe that the most appropriate way to capture these new Regs is to reference them through the Gas Act (as amended). This will ensure that other relevant changes to the Act are also included.	Part A paragraphs 22 and 33 amended to state "determination under the Gas Act 1986 (as amended)".

3.9 WWU	Process	13 - Presumably the "request" made by a DNO User is made via the OCS process?	Yes	None
3.10 WWU	Investment lead-times	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).	We do not believe that there is scope for misinterpretation: the distinction has been used for several years without problem and the context provides clarity. Investment lead-times are usually, 3 years, but not always. We accept that, for the Transitional Exit Period, IEC is unlikely to be available either within or beyond investment lead times but the sections have been retained to cover unforeseen eventualities and scenarios where lead-times are shorter than normal.	None
4 – Assignment / Transfer				
4.1 BGT	Assignment	The pseudo assignment rule set out in paragraph 34(d) is helpful but suffers from the lack of transparency (in application) that is expected to exist when assignment is properly systematised. As a minimum, a useful build would be to advance the timescale for the commencement of capacity assignment from August 2011 to, say, May 2011 via a network code modification. This would allow users to more formally assign capacity prior to the July 2011 application window rather than rely on matching increases and reductions which could have commercial consequences should one of the Users fail to make the transaction.	Advancement of the timescale for the commencement of assignment is outside the scope of this consultation; however, such advancement would appear to have little benefit as assignment cannot be effected before October 2012. The additional rule in 34(d) although analogous to assignment is merely intended to facilitate adjustment of initialised quantities.	None
4.2 WWU	Non-Users	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).	Agreed, however this may not be immediately apparent to all readers.	None
4.3 WWU	Non-Users	117 - As with the comments above (Paragraph 58), we do not see why the term ' <i>non-User</i> ' is required in this paragraph.		

4.4 WWU	UNC mods	There are several references to Modification Proposals 0263 and 0276, presumably these will be updated in line with the recent Ofgem decision letter.	Agreed. However, a date has not been specified for implementation of UNC mod 276 so any changes will be consistent with the potential for further delay.	Footnotes 10 (para 30) and 20 (para 58) amended to "Upon implementation UNC modification proposal 276...". Similar changes to paras 59, 60, 118 & 119. Deletion of footnotes 21, 25 and 31.
4.5 BGT	Negative entitlements	There are several references to negative capacity entitlements (e.g. in paragraph 98) that could result from capacity transfer activity. We are not persuaded that allowing negative capacity entitlement is desirable or beneficial. Can National Grid provide a rationale for this?	This is consistent with UNC Section B 5.5.1. NG NTS believes that this rule was introduced to allow Users to transfer capacity in advance of procuring the capacity.	None
4.6 AEP	Negative entitlements	Para 99 We understand how timing differences may allow entitlements to be negative, but this seems to say that Registered Capacity cannot be negative. Therefore could NG please explain how a User may be liable for overrun charges.	Registered capacity cannot be negative, but overrun charges are based on a User's Fully Adjusted Available NTS Exit (Flat) Capacity. Consider an offtake with two Shippers, A and B, each with registered capacity of 5 units. Shipper A transfers 6 units to Shipper B. Shipper A at this time has a negative capacity entitlement. Total entitlement is consistent with physical capability of 10 units. Then Shipper B flows at 11 units (equal to their entitlement) and Shipper A flows at 0 (above their entitlement). The offtake has overrun and this is attributable to Shipper A. Shipper A will pay capacity charges for 5 units (their registered capacity) plus overrun charges equivalent to one unit. Although the above scenario is unlikely, the effects are possible due to the interaction of transfers.	None

5 – Flow Flexibility				
5.1 WWU		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.	This is outside the scope of this consultation. However, publication of such information would be of limited value as availability of flow flex can vary considerably. Flow flex requests will be assessed in accordance with availability at the time of application.	None
5.2 WWU		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.	This is outside the scope of this consultation. However NG NTS would also welcome further consideration of timelines.	None
5.3 WWU		129 - Please see our comments above relating to paragraph 42.		
5.4 WWU	Shipper flex	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?	There is no specific flex allocation to Shippers at Direct Connects. Flat capacity is assumed to be used at a constant 1/24 th rate. Hence any profiling should normally be within system capability (provided that notice periods are adhered to); however OPNs may be rejected if the proposed profile cannot be safely accommodated.	None
5.5 WWU		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.	Release of flex is enabled by acceptance of OPNs. To the extent that increases in flat capacity limit the release of flex capacity then DNOs may need to consider alternatives.	

5.6 WWU	Licence definition	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?	The term does still appear in the Licence hence its inclusion in the definitions. However, a clarifying can be added to the definition.	Licence definition for "NTS exit flow flexibility" modified to cross refer to UNC flex term.
6 – Definitions				
6.1 BGT	Capacity terms.	It would be very helpful to provide a summary, and if necessary, an appropriate set of definitions for some of the terminology attached to exit capacity and used in the document. We note references to registered capacity , reserved capacity , capacity holdings and capacity entitlement that, depending upon the reader's own interpretation, could give rise to confusion or misunderstanding.	Whilst we agree that terminology can be complex there needs to be different definitions according to how capacity is "held". However, references can be simplified. "Reserved capacity" relates to capacity held in respect of an ARCA. This will, at a future date, be registered with a User. Capacity entitlement relates to the quantity of capacity that a User may flow against. This is not necessarily the same as registered capacity because, for example, a capacity transfer does not involve a change of registered User.	Terms reviewed and revised to ensure consistent use of "register capacity", "reserved capacity" and "capacity entitlement". Definitions added for these terms.
6.2 WWU	Licence and UNC inconsistency	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.	This is outside the scope of this consultation.	None
6.3 WWU	Existing System Exit Capacity	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 short term need for additional capacity by Users.	NG NTS believes that this paragraph is sufficiently clear. The only proposed change is the addition of "including those [commitments] in the Enduring Exit Period". To the extent that any capacity request / allocation in the Transitional Exit Period is not initialised and hence does not continue into the Enduring Exit Period then they will be allowed as they would not compromise enduring commitments. See also 3.2.	

		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?	Agreed	Part A paragraph 14 – Deletion of “Shipper”.
6.4 WWU	Prevailing	29 - This paragraph is unclear as it refers to 'prevailing levels' of capacity (undefined)?	NG NTS believes that the paragraph is clear but proposes further amendment.	Paragraph 29: deletion of “that would take the aggregate capacity above the prevailing level”.
6.5 WWU	Exit Zones	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.	An Exit Zone is an area within an LDZ which is used for charging purposes. NTS Exit Zones comprise those NTS Exit Points (NTS Supply Points, NTS CSEPs and NTS/LDZ Offtakes) within such designated NTS Exit Zone and as identified in the ExCR in accordance with UNC Section A3.4.4. See also 6.6 below.	None
6.6 WWU	Exit Zones	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.	NTS Exit Areas are groups of NTS Exit Zones, which were used in early analysis for exit reform, and are used in flexibility reports. NTS Exit Zone, NTS Exit Area, and Linepack Zone are defined by NTS system capabilities and have little or no direct impact on Users, but are required to be identified by UNC. As Exit Zones relate to charges it is appropriate that any changes should be subject to consultation. See also 6.5 above.	None
6.7 WWU	Exit Zones	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.	Agreed.	Add “NTS” to “Exit Zone” and “Exit Area”.

<p>6.8 AEP</p>	<p>Relevant Design Costs</p>	<p>Para 57 We think it is inappropriate to introduce new defined terms such as Relevant Design Costs into the ExCR which are not in the UNC. Any clarification of costs payable in such circumstances should more properly be progressed via a UNC modification. In any case of conflict the UNC takes precedence over the ExCR. It may be that this definition is broadly similar to that defined in the UNC B3.3.7(b) but the definition in the UNC only refers to design costs incurred rather than those committed.</p>	<p>NG NTS believes that it is essential to avoid confusion over the costs that might be payable by a User or Reservation Party if a project does not progress. The term “Relevant Design Costs” has been established to do this by adding greater detail and clarity and we note AEP’s comment that the definition may be broadly similar to that defined in UNC. However, we have reviewed the definition and note potential inconsistencies with UNC. Hence we are proposing a narrower, simpler definition. It should be noted that whilst a narrow definition of “design” protects an applicant from exposure to excessive costs, a further consequence may be that the Demonstration Date will need to be set earlier, i.e. when the more limited range of activities are completed, thereby requiring the applicant to provide the demonstration information earlier. NG NTS considers that it is right that an applicant bears the “design” costs of abortive works undertaken in respect of that application. This should also apply in respect of works where NG NTS combines the “Works” for multiple applications and/or incurs contractual penalties, e.g. for cancellation. However, this should be limited to costs associated with the specific application: NG NTS believes that the first section of the original definition achieves this.</p>	<p>Definitions: Revised definition of “Relevant Design Costs”.</p>
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7 – Reductions / substitution				
7.1 WWU	Exit substitution of sold capacity.	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.	As noted by WWU this should be progressed elsewhere. However, paragraph 75 facilitates, in part, the request. The footnote to this paragraph allows corresponding reductions and increases.	None
7.2 WWU	Capacity made available from reductions.	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?	It will only be available at the same NTS Exit Point. However, if the capacity is below baseline then it may be subject to substitution.	None
7.3 AEP	Cancellation of ad-hoc applications.	Para 74 We consider this principle is helpful, but refer to comments above regarding Relevant Design Costs	See 6.8 above.	None
7.4 WWU	Matched reductions	73 - If capacity is released at a NTS/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 <i>'use their discretion'</i> 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).	Paragraph 73 does allow the release of capacity as proposed by WWU. Although a revenue driver may not be required the offtake would need to be suitable for the increased offtake rates.	None
7.5 AEP	Connections works for reductions	Para 78 We accept connection works may be necessary in association with reduction requests but would like further explanation of the circumstances where NG may curtail flows if it has not undertaken the connection works in time, as noted in footnote 23.	If gas flows are outside of the measurement limits specified in the NExA any such flow would constitute a breach and NG NTS may suspend the NExA and curtail flows. It should be noted that the responsibility for initiating and funding metering and/or connection works rests with the connected party and/or User.	Paragraph 78 revised to clarify distinction between capacity and flows.

8 - Miscellaneous				
8.1 BGT	Latest release dates.	Paragraph 47 refers to capacity release dates for Ad Hoc applications. We would be interested in National Grid's views on allowing release dates beyond 1st October in Gas Year Y+4 as a means to providing Users more flexibility for large projects.	The Annual Application Window allows long-term applications (i.e. beyond default investment periods) and enables NG NTS to consider applications in aggregate which is more economic and efficient. However, NG NTS would, subject to implementation of an appropriate UNC modification, consider ad-hoc applications beyond 1 st Oct Y+4.	None
8.2 WWU	Typos	[Part A] 25 - Slight typo's (additional spaces) when referring to 'Uniform Network Code' and 'User'.	This error is only apparent in the comparison document.	None
8.3 AEP	Licence	General section 11. We do not accept that it is necessary to have an Exit Point specified in the Licence before capacity products can be secured, nor is it Ofgem's view that this is required by the licence. This potentially extends project lead-times and leads to inefficiencies of process. We do accept that NG needs to be aware of the potential for a new connection prior to 1st June so it can be included in the invitation for the July Application Window.	We welcome the acceptance that NG NTS needs to be aware of new projects in advance of the Annual Application Window. It is NG NTS opinion that a key requirement for any application is adequate funding, hence NG NTS considers the establishment of revenue drivers in advance of any commitment to release capacity is a fundamental requirement. However, NG NTS believes that there will be circumstances where a revenue driver will not be required. We believe it is not discriminatory to treat these applications differently.	None
8.4 AEP	Revenue Driver	40 We do not accept that it is necessary for a revenue driver to be in the Licence before signature of an ARCA, nor that National Grid should have discretion in this respect, This bullet point should be deleted. See comments against para 11 [8.3 above]. The establishment of a revenue driver is a process that takes place between National Grid and Ofgem. Connecting parties have little influence over this and could have to delay planned investments if this were adhered to; its inclusion in the ExCR simply creates uncertainty and increases the likelihood of disputes		
8.5 AEP	Revenue Driver	Para 37 As comments above we do not believe that a revenue driver needs to be in place before NG commits to releasing capacity. In any case User Applications via UNC processes have timescales determined by the UNC and it would be discriminatory if NG were to consider treating applications from Users or non-Users differently in this respect.		

8.6 WWU	Deeming	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.	Noted	None
8.7 WWU	Page numbers	No page numbers after p27.	This error is only apparent in the comparison document.	None
8.8 AEP	ARCAs	Para 62 It would be helpful if generic versions of the two ARCA types were made available.	We anticipate issuing new generic ARCAs shortly.	None
9 – Supplementary Question: should the ExCR be shortened by removing text repeated from UNC and the Licence?				
9.1 WWU		We do not agree with the comments made at the Transmission Workstream on 4 th 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.	NG NTS acknowledges the responses to the supplementary question and notes the opposing views expressed. NG NTS will consider, for the next annual review, whether the ExCR can be shortened by removal of sections that have help with providing the context but have no relevance to the actual release of exit capacity. However, we note WWU's view that some duplications "are helpful".	None
9.2 AEP		The Association considers that the ExCR duplicates substantial sections of the UNC B3 and on occasion seeks to establish commercial parameters and new defined terms, whilst remaining outside of the UNC governance processes. We note that the four year User Commitment, an important feature of Exit Reform, does not appear in the UNC and is only defined in the ExCR. Similarly the arbitrary 20Mth p.a. threshold for incremental capacity before NG will consider an ARCA is only specified in the ExCR and has on	We accept that there is a risk that the ExCR and UNC might become out of step. The different terminology in the Licence and UNC demonstrates that this is not impossible. However, the ExCR has a change mechanism and can	

		<p>occasion caused problems in securing increments below this threshold. It has also been the case and will continue to be the case, if this is not addressed, that parties have to raise a UNC Modification Proposal to prompt a change to terms or processes which are detailed in the ExCR. We consider this indirect process is inappropriate and inefficient</p> <p>We appreciate that the preparation and maintenance of the ExCR is a licence requirement and at the time of DN sales when the IExCR was introduced was necessary to understand how exit capacity would be released in a non-discriminatory manner. However as we now approach the Enduring Period we consider there is scope for considerable simplification of the ExCR or for it to be re-scoped. We consider there would be merit in placing any essential terms or clarifications of the exit capacity release process in the UNC itself, ensuring all parameters and information for User applications is available in one place and subject to UNC governance. However it would be useful to have a user-friendly guide to the applications processes for both Users and Non-Users; this could cross reference relevant parts of the UNC or NG's licence as appropriate but would not have the same standing as the current ExCR Methodology Statement. We consider it would be timely to consider this as part of the next transmission price control review and would be consistent with better regulation principles by avoiding inefficient duplication and simplification of regulation.</p>	<p>be updated should it become inconsistent with UNC. Indeed NG NTS has an obligation to review the ExCR annually.</p> <p>Except to the extent required under the Licence, we do not seek "to establish commercial parameters and new defined terms" within the ExCR. However, we do endeavour to add a level of detail and clarity to the Licence and UNC. There is no reason why these clarifications could not be contained within UNC (or the Licence). Should any party wish to raise UNC modification proposals to achieve this then NG NTS would consider them and either support, not support, or, where we feel this would be more efficient, propose a change to the ExCR. However, it is not a priority for NG NTS to move approved rules from one document to another when these rules (the ExCR) are already subject to regulatory approval.</p>	
9.3 BGT	UNC	<p>We consider that many of the rules set out in the document might better sit within the network code, the key contract and reference document for Users. In particular, the rules pertaining to User Commitment would more appropriately reside within Code. There is a possible risk that some Users might give the ExCR document less scrutiny than network code modifications and therefore miss some important developments in the rules. Furthermore, there is the possibility of the ExCR falling out of step with the network code over time: modifications to the network code could trump ExCR rules that would then require further consultation before being themselves modified or removed.</p>		