



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

**29<sup>th</sup> March 2011**

## 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 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 30<sup>th</sup> September 2012; and
- The "Enduring Exit Period" in respect of capacity reserved or allocated commencing no earlier than 1<sup>st</sup> October 2012.

On 22<sup>nd</sup> February 2011 NG NTS initiated its consultation as part of the annual review of the ExCR. The principle changes proposed to the existing ExCR (version 6.0) were:

- 1) Part A (Transitional Exit Period). General update and deletion of section 3.2 "Requests for Incremental Exit Capacity beyond investment lead times" which has become redundant.
- 2) Part B: General update following the submission of National Grid's proposed Exit Capacity Substitution and Revision Methodology Statement ("ExCS") to the Authority.
- 3) Paragraph 68 added. This paragraph clarifies possible capacity release dates under an ARCA which were not previously stated.
- 4) Paragraphs 75 to 79 added, or amended, to clarify the process for accepting reduction requests with an effective date earlier than 1<sup>st</sup> October Y+2 (i.e. less than 14 months notice).
- 5) Paragraph 111 added to clarify how permits may be gained.
- 6) Paragraphs 120 and 121 added to facilitate the release of non-obligated incremental capacity on a temporary basis, i.e. as Annual Exit (Flat) Capacity.
- 7) Sections have been deleted where they duplicate UNC unnecessarily.

NG NTS invited views in respect of the proposed revised ExCR to be made by 22<sup>nd</sup> March 2011.

This document sets out NG NTS' conclusions on its consultation on the proposed ExCR (version 6.1). 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: whether amendments should be made to the capacity reduction rules allowing less than 14 months notice of a reduction where actual capacity prices are significantly higher than the indicative price set at the time of the increase application. This question is explained in greater detail in the consultation cover letter. NG NTS has considered the views of respondents and concluded that changes to the ExCR would not be appropriate. Any change to address this issue should be implemented by way of a UNC modification proposal. NG NTS will reconsider whether action is required following conclusion of the current exit capacity charging review. However, NG NTS believes that it is unlikely to promote a UNC modification proposal. This option will be available to Users if they feel a suitable case for change can be made.

## Responses

Representations were received from the 3 respondents listed below.

RWE Npower	RWE
Association of Electricity Producers	AEP
British Gas Trading	BGT

A fourth representation was received from TPA Solutions Ltd late on 28<sup>th</sup> March 2011. Considering the seven day deadline between consultation closure and submission of this report to the Authority (as defined in the Licence) the representation was received too late for consideration within the conclusions report.

The more substantive issues raised relate to:

- Revenue Drivers: Concern has been expressed at the time taken to obtain revenue drivers. NG NTS will discuss with Ofgem whether it would be practicable to produce a timeline..
- Overlap of UNC and ExCR: Respondents have questioned whether more should be done to remove duplication of UNC from the ExCR and to move some of the detail, particularly with respect to the User Commitment, from the ExCR into UNC. NG NTS believes that any duplication has been limited to that necessary to put the document into context. Any rules included in the ExCR are there to satisfy specific requirements of the Licence or UNC or have been included to add clarify to specific circumstances. This area will continue to be reviewed, but NG NTS is not proposing any changes at this time.
- ARCA: BGT have questioned whether ARCAs should be used to reserve capacity with a start date of Y+6. We have retained this provision
- Supplementary question: see above.

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
<b>1 – ARCAs: October Y+6 capacity release date.</b>				
1.1 AEP		'clarification' to existing processes.... this is helpful for example allowing ARCA applications up to Y+6	Noted	None
1.2 BGT		We disagree with and object to new paragraph 68 and the associated footnote #23. Ad Hoc applications cannot specify capacity release dates beyond 1 October in Gas Year Y+4 (as set out in paragraph 50 of the ExCR) yet paragraph 68 now seeks to provide ARCA applications the scope to enable the release of capacity no later than Gas Year Y+6. This discriminates against Ad Hoc applicants (Users) in favour of ARCA applicant (non-Users). We can see where the idea of the 1 October Y+6 date comes from (i.e. the annual application process permits applications to commence from 1 October Y+4 and/or Y+5 and/or Y+6) but it is wholly improper to propose such changes via the ExCR. We consider that this is a prime case for where the UNC modification process should be used to effect such a change and if such a proposal were to be raised we would be looking for the same extension to the Ad Hoc process.	<p>ARCAs are available to non-Users and as such the rules governing them are limited within UNC. It would be inappropriate, but not impossible, for the rules relating to non-Users to be placed in UNC under the governance of Users but not non-Users.</p> <p>We became aware of a difference in understanding of the scope for capacity release under an ARCA: limited to Oct Y+4 or Y+6. It has long been our understanding that ARCAs will be available to Y+6. The new paragraph 68 was added to provide clarity to the ARCA process in the same way that paragraph 50 does for the ad-hoc process. We believe that there has been no change to the rules, only clarification.</p> <p>We note the suggestion that this “change” discriminates against Users. We dispute the suggestion. Current arrangements allow Users to obtain capacity as far in advance as Y+6. ARCAs offer nothing more. We would be concerned that limiting ARCAs to Y+4 could be considered to discriminate against non-Users.</p> <p>The ad-hoc process was introduced to compliment the annual window by making capacity available in the medium term. Notwithstanding this, NG NTS is considering a proposal to extend the ad-hoc process for the sole benefit of Users. Alternatively, BGT may wish to raise a suitable proposal.</p>	None
<b>2 – Reduction Processes</b>				
2.1 BGT		In paragraph 71 some new text is added that would provide National Grid discretion over whether it would reject a reduction request in the event that such a reduction would give rise to a negative capacity entitlement, as a result of existing or pending capacity transfers. We question why National Grid would allow for the possibility of negative	<p>There is no new text added to paragraph 71. The text referred to has only been moved, from the final bullet point, into the main paragraph.</p> <p>UNC TPD section B5.5.1 states that negative capacity holdings may arise. It is not for NG NTS to monitor the commercial position of Users who wish to transfer capacity such that their holdings become negative. Negative positions are facilitated under UNC to allow forward trading between Users. NG NTS would expect that by the end of the Gas Day</p>	None

		<p>holdings and how, if it were to, it would exercise its discretion. Therefore, further clarity would be welcomed.</p>	<p>Users will return to a zero or positive position.</p> <p>UNC TPD section B5.1.4 (not the ExCR) provides NG NTS with the discretion to reject transfers where this would result in a negative capacity holding. This discretion might, for example, be applied where the proposed transfer would result in the positive capacity holdings of Users being greater than the physical capability at the system point. Although the aggregate capacity holding would be manageable, if all Users were to flow against their positive allocations some flow would need to be curtailed. Hence the transfer may be rejected so as to maintain a cap on the positive allocations and, as a result, physical flows.</p> <p>It is necessary, for the same reasons, that NG NTS has the ability to reject a reduction request (which cannot be to a negative quantity) if, when future accepted transfers are considered, the reduction would create a negative holding.</p>	
<p>2.2 BGT</p>		<p>Paragraph 75(a) refers to requests for capacity reductions with less than 14 months' notice and such requests would be granted at National Grid's discretion assuming the capacity can be usefully utilised elsewhere to help meet the requests of other Users. We want to see a more proactive approach taken by National Grid (more proactive than suggested by paragraph 77 in the ExCR) such that capacity not required by a User can be made available elsewhere. Therefore, National Grid should be required to issue reduction requests to all potential "donors" of capacity to help satisfy associated requests for increases in capacity such that savings can be made through avoidance of investment in incremental capacity. A UNC modification proposal should be raised to secure this and we again object to the inclusion of the proposed new drafting in paragraph 77 on the basis that these rules should be incorporated in and governed by the UNC.</p>	<p>We would expect that Users that do not require capacity will submit a reduction request without the need for NG NTS to ask if they want to do so. Paragraph 75(a) acknowledges that any reduction request with less than 14 months notice will be accepted if it can be used to meet another User's increase request. BGT is right to point out that early reduction is linked to the avoidance of investment and we will modify paragraph 75(a) accordingly, by addition of the words in italics to the right.</p> <p>BGT request that "capacity not required by a User can be made available elsewhere". This is exit capacity substitution which is already facilitated by paragraphs 75(a) second bullet and 77(b). We fail to see what additional benefit a UNC modification proposal would achieve. The proposed changes to paragraph 77 are minor, with only the extension to invite reduction requests at other exit points, based on the expected implementation of exit capacity substitution, having any consequence.</p> <p>However, the scope for movement of capacity to different exit points is limited by restrictions placed on the substitution process to year Y+4 and after. This was a conclusion drawn after industry consultation on substitution. Extension of the scope of exit capacity substitution will be reviewed annually in accordance with the Licence.</p> <p>Note: the Authority has yet to make a decision on NG NTS' proposed exit capacity substitution and revision methodology statement.</p>	<p>Change to paragraph 75(a).          "... at National Grid's sole discretion, provided that National Grid can use the released capacity <i>to avoid the need to release NTS obligated incremental exit flat capacity</i> to meet requests from other Users....." .</p>

3 – Revenue Drivers/Licence				
3.1 RWE	Revenue Driver/ Licence provision	The ExCR identifies the importance of agreeing Licence revenue drivers with the Authority, identifying investment lead-times and including the NTS Exit Point in the Licence before incremental obligated exit flat capacity will be offered. Although we accept that this is predominantly a matter for Ofgem and National Grid, the requirement for Users and Reservation Parties is to acquire exit capacity in a timeframe that is aligned with their project developments. As a minimum, there should be a process time-line included in the ExCR, setting out each party's obligations, for initiating the relevant Licence-related processes. This will provide a level of transparency around the process itself and give developers confidence that project timescales will be met.	<p>We recognise the frustration that the time taken to agree revenue drivers is causing Users and Reservation Parties. It is a frustration shared by NG NTS.</p> <p>The revenue driver is an important factor in ensuring that NG NTS is adequately funded, hence lengthy discussions with Ofgem. This is complicated by the interaction between projects triggering incremental capacity and the uncertainty around which will or will not proceed. This leads to a requirement for significant network analysis covering multiple scenarios.</p> <p>Notwithstanding the complexities, we do not believe that the request for a timeline is unreasonable. However, the timeline and the output from Mod 373 may need to be aligned. As Ofgem are heavily involved in the process to develop revenue drivers such a timeline will need the agreement and input of Ofgem. NG NTS will discuss with Ofgem whether this is practicable.</p>	None
3.2 AEP	Revenue Drivers	a methodology to determine revenue drivers is expected to be agreed. We hope to see progress on this issue including timescales very soon. The revenue driver can become a critical path issue in securing incremental exit capacity yet currently connecting parties cannot influence this process nor do they have assurances over timescales.	<p>See 3.1</p> <p>NG NTS is hopeful that a methodology for determining revenue drivers can be agreed. However, this is for Ofgem to initiate and is subject to the complexities outlined above.</p>	None
3.3 BGT	Licence	New paragraph 6 refers to the need to include NTS Exit Points in the Licence in advance of the release of capacity. We want to see a clearly articulated process for enabling the necessary consultation by Ofgem to introduce new NTS Exit Points to the licence.	See 3.1	None
3.4 BGT	Revenue Driver	Paragraph 38 refers to a methodology by which National Grid and the Authority will determine revenue drivers for incremental releases of capacity. This proposal has been in existence for a considerable time and we are disappointed that nothing has yet been put forward for consultation by the industry. Whilst we acknowledge that this will rely on the Authority's willingness to progress it we would still expect National Grid to keep this objective in clear sight. Ideally, a	The reference to a methodology was initially included following discussions with Ofgem. We believe it is still the intent of Ofgem to develop and consult on a possible methodology. If this is not the case, we agree that the Authority should make this clear in their decision letter so that appropriate changes can be made. As discussed above, the complexity of the process has meant that developing a methodology has been more difficult than	None

		target date for implementing the revenue driver methodology should be included in the ExCR. In the event that the Authority disagrees with the thrust of paragraph 38 we would expect it to be amended or removed in advance of this version of the ExCR going live.	originally envisaged.	
<b>4 – Reinforcement Works</b>				
4.1 AEP	Connection	We acknowledge the challenges of delivering incremental exit capacity, especially when physical reinforcement work is required, and we hope that the developments arising from Modification 373 and other proposals will establish improved connections and capacity processes, leading to greater certainty for both National Grid and connecting parties.	We share the hope that improved processes can be developed and are committed to positive contribution to the Mod 373 Workgroup.	None
4.2 BGT	PWA	<p>The newly suggested paragraphs 11 and 12 illustrate the disjointed processes that National Grid has for enabling on the one hand new physical connections or new connection facilities and, on the other hand the provision of additional NTS exit capacity. Further, we note in paragraph 12 that the entering into a Preliminary Works Agreement (PWA) to try to resolve problems arising from the disjoint will be at the discretion of National Grid. As a possible temporary solution this is unacceptable – we would expect National Grid to be required to enter into a PWA should an applicant request one in order to align the connection/ capacity dates. This will provide transparency on how these agreements will be offered and help National Grid to avoid the charge of acting in a discriminatory manner.</p> <p>It would be helpful if National Grid could publish a generic form of PWA for the industry's consideration.</p> <p>We referred to National Grid's new proposal as a</p>	<p>Separate processes for connection and capacity have been successfully applied for many years. A particular benefit to separation is in enabling developer processes (connection) to progress independent of Shipper processes (capacity). Recent tightening of the system and extended planning processes have highlighted problems which require, and are already receiving, attention, both within NG NTS and through UNC modification proposal 373.</p> <p>Paragraphs 11 and 12 recognise the problem with coordinating pipeline delivery with completion of connected facilities. To bridge this gap NGNTS believes that pipeline works need to commence in advance of the User (or Reservation Party) being able to commit to buying / reserving capacity. This work needs to be underwritten by the User in case no capacity allocation follows. NG NTS believes that a PWA that defines the scope of works, timetable and costs on a case by case basis is the best vehicle to do this and would like to encourage its wider use. Similar arrangements have previously been used for entry capacity.</p> <p>The discretionary nature of the requirement to enter a PWA was intended to reflect the fact that a PWA may not always be appropriate: e.g. in locations where there are multiple potential projects a multi-party PWA or multiple parallel PWAs will be required. These need to</p>	None

		possible temporary solution because we believe more needs to be done to rationalise or combine the connection and capacity provision processes. Discussions have been held between National Grid and shippers to assess what might be done to improve these matters but to date nothing definite has been proposed. This is another area where a structured UNC modification proposal may be required to deliver a transparent and enduring solution.	reflect the potential for different first gas dates and some projects not progressing or being delayed and the impact this will have on delivery of the works (expected to include planning processes). Notwithstanding this, it is in NG NTS' interests to agree a PWA and would apply its discretion to not offer a PWA only in circumstances where a PWA does not offer a practical and efficient solution. We envisage the use and availability of PWAs being considered in the mod 373 workgroup meetings.  A project specific PWA will be made available as necessary.  Whether or not PWAs are a temporary or long term solution is likely to form part of the industry discussions arising from UNC mod 373. In the absence of anything definite being proposed it seems imprudent to dismiss their use.	
<b>5 – Business Rules / UNC</b>				
5.1 AEP	UNC	The Association would .. like to flag an issue .. the potential to include much of the ExCR methodology in the Code as it already duplicates significant sections of section B3. It would then be subject to Code governance processes and also open to shippers to raise change proposals in a manner consistent with the charging methodology. The ExCR in its current form would no longer be required except for ARCA applications. We hope that National Grid and Ofgem will take this forward as part of the RIIO framework.	The issue of the ExCR duplicating UNC was raised via the 2010 review of the ExCR. In response NGNTS has deleted several sections from the current proposed statement. Much duplication remains, but this puts other areas of the ExCR into context. We will continue to review whether further sections can be deleted. Moving sections into UNC may be possible and we will discuss this with our RIIO team to see if opportunities exist through this route.	None
5.2 AEP	Business Rules	it seems as though the ExCR is being used to introduce more rules and principles which add complexity and potentially conflict with the main principle of exit reform; namely capacity should be made available following a user commitment signal.	Complexity arises from the need to consider a myriad of “what if” scenarios, e.g. how does the User Commitment work for assigned or transferred capacity? What if capacity reserved under an ARCA is only party allocated to a Shipper?  Where it may seem that new rules are being added, the changes are made to clarify these interacting scenarios or to recognise other external changes, e.g. the probable introduction of exit substitution.	None
5.3 BGT	Business Rules / UNC	we are concerned about the introduction and development of business rules within this document.	The purpose of the document is not as stated by BGT but as defined in the Licence Special Condition C18. We believe that it satisfies that condition.	None



		<p>The document should focus on describing and explaining National Grid's approach to implementing, and ensuring compliance with, NTS exit capacity requirements set out in the Uniform Network Code (UNC); it should avoid developing rules, processes and procedures that more appropriately belong to the more rigorous and open UNC modification process. Whilst it is within the gift of Users to raise UNC modifications to address this concern (as the ExCR correctly states the UNC rules will always take precedence over those of the ExCR) there would still be instances where, pending UNC changes the UNC is silent on certain issues and the ExCR arrangements would prevail in relation to them.</p>	<p>See also 5.2 above.</p> <p>As observed, a User can raise a UNC modification where UNC is silent on an issue. The ExCR provides additional clarity, and without the clarity provided in the ExCR (the ExCR only provides rules to the extent required by the Licence and with sufficient detail to cover all known scenarios) NG NTS would be obliged to use its discretion if/when circumstances arise that UNC/ExCR is silent on. We believe that Users and other interested parties would prefer clarity in the ExCR to silence, discretion, and lack of transparency.</p>	
<b>6. User Commitment</b>				
6.1 BGT		<p>..one general area that we believe should be brought into the UNC is the suite of rules, largely developed within the ExCR, on User Commitment. The Supplementary Consultation in Appendix 2 of your letter accompanying the consultation document clearly illustrates how disjointed and ill-considered some of the User Commitment developments have been. Arguably, had those developments (e.g. on the creation and application of the User Commitment Amount) been considered more carefully under the scrutiny of the UNC modification process, a more transparent and rigorously assessed set of rules would have been delivered.</p> <p>We ask whether National Grid would oppose, or be willing to promote, a UNC modification proposal to bring the User Commitment section of the ExCR under the governance of the UNC.</p>	<p>The basis of the User Commitment was developed in industry forums that resulted in UNC modification proposal 195AV. This proposal determined that the User Commitment should be defined in the ExCR (hence UNC TPD section B3.2.19(c)) and the User Commitment was subsequently discussed in the original ExCR consultation. It is through review of the ExCR that any developments have been better considered and clarifications added.</p> <p>It should be noted that the issue referred to in the supplementary question is not driven by the financial aspect of the User Commitment, but by the minimum notice period of 14 months for a reduction request. This is defined in B3.2.17 and was also introduced through mod 195AV.</p> <p>Notwithstanding responses to the supplementary question, a User could raise a modification proposal to amend/reduce the 14 month notice period. NG NTS is not anticipating putting forward this proposal.</p> <p>As a matter of principle NG NTS supports modification proposals that better meet the relevant objectives and would carefully consider any proposal put forward by BGT before deciding whether to support or oppose.</p>	None

7 – Miscellaneous				
7.1 BGT	Flexibility	A new footnote to Table 1 refers to RIIO-T1 and the possible release by National Grid of NTS Offtake (Flexibility) Capacity where investment is required. We consider that it is very premature to introduce this concept to the ExCR. We are not convinced by the arguments put forward by National Grid at its recent Talking Networks workshop with respect to this.	The footnote does not place any obligation on NG NTS with respect to releasing flexibility capacity unless the RIIO developments require it. If the arguments put forward are unconvincing they should result in no regulatory change and hence the footnote is redundant and immaterial. We believe that it is prudent to make mention of the possibility in the ExCR as many readers may not be aware of potential developments.	None
7.2 BGT	CSEP	The ExCR does not appear to provide for the cessation of the CSEP sub-certification process that underpins applications for NTS exit capacity at Connected System Exit Points. Currently, applications are restricted such that a year's worth of capacity is registered. Any such applications after September 2011 would be for registrations (under the transitional arrangements) for less than a year (the new, enduring regime commencing on 1 October 2012). We ask that National Grid clarifies the uncertainty on this point and promote a UNC modification, if required, to remedy it.	This is not within the scope of the ExCR. The comment seems to counter the view put forward that the ExCR should not overlap UNC.  We will consider whether a UNC modification is required and thank BGT for bringing this to our attention.	None
7.3 BGT	38 month lead-time	New paragraph 41 is of great concern in that National Grid admits the 38-month lead time for releasing NTS obligated incremental exit flat capacity will be "extremely challenging". To declare this, following root and branch review and years of development on exit reform, is perplexing and we are forced to infer that National Grid will be incapable on certain occasions of fulfilling its Transporter Licence and UNC obligations to provide incremental capacity within defined timescales and in response to pre-determined User Commitment.  We again note, in paragraph 42, a proposal to allow National Grid, at its sole discretion, to enter into a Preliminary Works Agreement (PWA) to help overcome the perceived problems with the default 38-month lead time. As we have already stated, we are concerned that National Grid's exercise of its discretion will not be transparent and likely to give rise	NG NTS' concerns regarding lead-times for delivering incremental capacity are not new. These concerns were raised at the time of the TPCR4 negotiations. Since the Licence was accepted planning processes have had a detrimental effect on project delivery timelines. It would be disingenuous to suggest that lead-times are anything other than "extremely challenging". Paragraph 41 puts into context that, to meet the aspirations of Users and Reservation Parties, alternative solutions, such as a PWA, need to be followed.  Regarding discretion to agree PWAs, please see 4.2 above.  The ad-hoc process was introduced to allow Users to access available capacity. Subject to satisfying the demonstration information criteria, the ad-hoc process will guarantee a capacity delivery date of October Y+4, i.e. the default lead-time. We do not understand how the use of PWAs would undermine this process. The PWA complements the ad-hoc application by allowing capacity related works to progress in advance of an	None

		<p>to charges of discrimination in the services it offers.</p> <p>We believe that another upshot of paragraphs 41 and 42 will be to seriously undermine Ad Hoc applications that require the provision of obligated incremental exit flat capacity – the Ad Hoc process does not guarantee capacity delivery dates and Users may therefore be pushed down the road of applying for the capacity via the more rigid annual application window to “guarantee” the capacity by a 1 October date.</p> <p>Failure to honour capacity applications will play havoc with applicants’ plans for their projects and could give rise to serious actual or consequential loss. We therefore request information from National Grid on what compensation will be provided in the event that it fails to meet a valid application for capacity.</p>	<p>application. We do not envisage undertaking any works for capacity under a PWA after a capacity application has been made (via ad-hoc, annual window or ARCA).</p> <p>In the event of failure to make capacity available a constraint may occur and this will be managed in accordance with UNC and related documents. Any “compensation” will arise through these processes.</p>	
7.4 BGT	Future capacity requirements	<p>We are not clear on what new paragraph 94 is attempting to state and would welcome further commentary and/or some examples to explain the proposal</p>	<p>Exit capacity prices, including indicative prices, are determined by entering a flow rate into the charging model for each exit point. Variations in this flow rate will influence the indicative charge calculated, and hence the User Commitment. After the indicative price has been set, a User may apply for a significantly different quantity of capacity thereby undermining the principle of the four year User Commitment. This paragraph requires the User to provide a reasonable view of capacity requirements so that accurate indicative prices can be determined.</p>	None
7.5 BGT	Negative Capacity Entitlements	<p>Paragraphs 102 and 103 make mention of negative capacity entitlements and we would welcome some debate at the Transmission Workgroup as to the validity and appropriateness of such entitlements and whether systems functionality does or should exist to prohibit them</p>	<p>Negative capacity entitlements are allowed under UNC. They are only referred to in the ExCR where there may be a consequential impact on User Commitment and reduction requests. Beyond this, the issue is outside the scope of the ExCR.</p> <p>BGT should not be discouraged from raising the issue at Transmission Workgroup.</p>	None
7.6 BGT	Assignment	<p>Turning to paragraph 61 it is our full expectation that Modification Proposal 0347V (raised by British Gas Trading Limited) will be implemented to allow full capacity assignments from 1 June 2011. Whilst an</p>	<p>The Ofgem decision was made too late for inclusion in the consultation draft, hence the footnote referring to 1<sup>st</sup> June 2011.</p> <p>As an implementation date has still not been set, it would be</p>	None

		<p>implementation date has not yet been set the proposal has been sanctioned by Ofgem and paragraph 61 should reflect this.</p> <p>Referring to paragraphs 122 and 123 we again note that we expect full capacity assignment to be available from 1 June 2011</p>	<p>premature to amend the paragraphs. If and when an implementation date is set, the new date will apply without further change to the methodology as the footnote facilitates this.</p> <p>Mod 347V refers only to assignment so paragraph 123 (capacity transfer) is not affected.</p>	
7.7 RWE	General	<p>..we agree that overall the draft Statement contains a clear explanation of the way in which National Grid will release exit capacity in both the transitional and enduring periods.</p>	<p>Noted.</p>	<p>None</p>
7.8 NG NTS	NTS Exit Zones		<p>An error has been identified in the table in Appendix B1. The Thornton Curtis (DN) offtake is now in NTS Exit Zone E11. This follows the decommissioning of feeder 1. In addition, the LNG site at Dynevor Arms has been labeled "connection decommissioned".</p>	<p>Appendix B1. Minor updates.</p>
<b>8 – Supplementary Question: 14 month notice period</b>				
8.1 RWE		<p>Our current view .. is to support option 3, subject to the final outcome of the current charging methodology changes being considered. At this stage, we would be reluctant to start unpicking the exit capacity arrangements before the Enduring Regime commences from October 2012. Options 1 and 2 both require finessing the User Commitment obligations and introducing additional rules in response to a specific circumstance and this may set an unwelcome precedent. We agree with National Grid that changes could be proposed as part of the next review of the ExCR in 2012.</p>	<p>We note the support from RWE and AEP for retaining the status quo (option 3), at least for the time being and pending outcome of the charging review. Whilst we accept the possible need for process clarifications, we agree with RWE that changes should be resisted prior to the Enduring Exit Regime commencing. In addition, we agree with AEP that the rules were known at the time of the applications, so Users should accept the</p>	<p>None</p>

<p>8.2 AEP</p>	<p>The Association appreciates the issues raised here but notes that the 4 year user commitment and 14 month notice period were key aspects of exit reform... to provide improved and more efficient signals for exit capacity to National Grid, with the 14 month notice period to allow for surrendered capacity to be reallocated. However processes were established to allow early discharge of a user commitment if through a rise in charges the user commitment amount had been paid in a period less than four years. There was also recognition of the principle that the user commitment provides certainty over the availability of capacity, but not at a fixed price, but at a price determined by the prevailing charging methodology, which is currently under review.</p> <p>We consider that parties requesting incremental capacity in 2009 were aware of these rules, and on this basis we cannot see any case for changing the current arrangements, unless any proposed changes can be demonstrated to be beneficial for system investment, operation or competition in a manner consistent with the Code relevant objectives.</p>	<p>consequences.</p> <p>However, the increase in capacity charge observed at Moffat could be considered as “exceptional” and meriting of exceptional action.</p> <p>As discussed in 6.1, the issue for affected Users is with the reduction notice period.</p> <p>Option 1: To remove, or reduce, the notice period would require a UNC modification.</p> <p>Option 2: It may be argued that a reduction to the notice period in defined circumstance (which would need to be developed and agreed) could be managed via the ExCR. However, as the 14 month rule is defined in UNC, any relaxation to that rule should also be defined in UNC (UNC could refer to the ExCR for the relaxation circumstances but this would still require a modification).</p>	<p>None</p>
<p>8.3 BGT</p>	<p>We appreciate that the remarkable potential fluctuation in exit capacity charges at Moffat (and some other exit points) is cause for concern and we are engaged in the current review of the NTS exit capacity charging methodology to explore what appropriate steps might be taken to resolve this.</p> <p>In this response we have expressed, as we have in previous responses, our general concern and dissatisfaction with the introduction or modification of key business rules via the ExCR methodology statement and our strong preference for the UNC to provide the requisite governance. With regard to this we have made specific mention of the User Commitment process and rules.</p> <p>Our view, therefore, is that the issues addressed in this supplementary consultation should be addressed via the UNC modification process which can also now accommodate proposals to change the charging methodology.</p>	<p>As the expressed preference of respondents is to avoid such rules being introduced to the ExCR, NG NTS is not proposing any change to the ExCR.</p> <p>Following conclusion of the exit capacity charging review it may be appropriate to raise a proposal consistent with option 2. However, in the absence of any wider benefit being demonstrated, as outlined by AEP, NG NTS does not envisage promoting this proposal.</p>	<p>None</p>