

The Joint Office, Relevant  
Gas Transporters, shippers and other  
interested parties

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[www.nationalgrid.com](http://www.nationalgrid.com)

Dear Colleague,

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

Special Condition C18 of National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS (the "Licence") places an obligation on National Grid to prepare and submit for approval by the Gas and Electricity Market Authority (the "Authority") before 1<sup>st</sup> April in each formula year an NTS exit capacity release methodology statement ("ExCR") setting out the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators.

This letter therefore notifies gas shippers, developers, DN operators and other interested parties of National Grid's proposed ExCR which accompanies this letter, and invites views on these proposals.

The 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 created 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.

The proposed the ExCR (version 7.1) will, if approved, be the last to apply to both the Transitional and Enduring Exit Periods. As a result of the limited duration remaining for the Transitional Exit Period, Part A has been substantially edited to reflect the reduced scope for capacity release in this period.

Review of applications for capacity release in the Enduring Exit Period has highlighted the need for further enhancements to the current ExCR. Hence a small number of changes are being proposed to the statement: these changes are intended to provide greater clarity and detail

where previously the ExCR was imprecise. In addition, some changes are required to align to external changes introduced through, for example, UNC Modifications and the introduction of exit capacity substitution processes.

In their letter giving approval of the current ExCR (v7.0) the Authority raised a number of minor issues. Where these have not been addressed elsewhere they are covered within the proposal.

The principle changes proposed to the methodology are listed in appendix 1.

On 14<sup>th</sup> February 2012, UNC modification 0417 “Notice for Enduring Exit Capacity Reduction Applications” was raised. A decision on implementation of this Modification will not be taken prior to the deadline for National Grid to submit its proposed ExCR to the Authority (and may be taken after the deadline for the Authority to respond on the proposal). Hence the proposed ExCR does not include any changes needed to align to the Modification proposals. In the event that Mod 0417 is approved, National Grid will, subject to approval from the Authority, and without further consultation, update the ExCR to ensure continued consistency with UNC.

Accompanying this letter are two documents:

- National Grid’s proposed ExCR: the “Consultation Draft” v7.1; and
- A comparison document of v7.1 and v7.0 showing all proposed changes.

### Responses

Responses to the consultation on the proposed ExCR should arrive at National Grid by 17:00 on 23<sup>rd</sup> March 2012. They should be sent by e-mail to:

[mark.j.lyndon@uk.ngrid.com](mailto:mark.j.lyndon@uk.ngrid.com).

and copied to

[box.transmissioncapacityandcharging@uk.ngrid.com](mailto:box.transmissioncapacityandcharging@uk.ngrid.com).

Please ensure that a “read receipt” is requested with your e-mail to confirm that your response has been received.

Alternatively they can be posted to Mark Lyndon at the address above.

Unless marked confidential National Grid will place all representations received on its website.

If you wish to discuss any aspect of this letter please contact me on 01926 656217 or Mark on 01926 655551.

Yours sincerely

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## **Appendix 1: Principle Changes Proposed to the ExCR.**

### General Introduction

- 1) Paragraph 18: Reference to NTS exit capacity baseline statement updated to reflect introduction of exit capacity substitution. See also Part B paragraph 21.

### Part A (Transitional Exit Period)

- 2) Substantial sections of Part A have been deleted as the Transitional Exit Period will end shortly after the proposed ExCR comes into effect (if approved).

### Part B (Enduring Exit Period)

- 3) Paragraph 14: Updated following approval of National Grid's Exit Capacity Substitution and Revision Methodology Statement ("ExCS") and the application of processes defined in the methodology.
- 4) Paragraph 21: updated guidance and link to the NTS exit capacity baseline statement.
- 5) Paragraphs 44, 47 and 50: UNC Modification 0376 will change some of the criteria for release of Enduring Annual Exit (Flat) Capacity. The changes are subject to IT systems changes with the implementation date currently unknown. Footnotes have been added to recognise the future changes.
- 6) Paragraph 59: clarified such that, where the capacity release date is delayed due to demonstration information not being provided by the Demonstration Date, the User Commitment Amount will be recalculated based on the latest indicative price for the revised capacity release date. This may be an increase or decrease depending upon movements in capacity charges. This revision to the User Commitment Amount ensures consistency with phased capacity releases and has also been incorporated in the terms of the generic (works) ARCA.
- 7) Paragraph 70: amended to inform that deemed application processes have been removed by implementation of UNC Modification 0381. National Grid anticipates removing this section completely in the next revision to the ExCR.
- 8) Paragraph 71: reference to "negative entitlement" removed as this is not a defined term.
- 9) Paragraph 80: expanded to provide greater detail of the process to be followed in the event of competing reduction requests.
- 10) Several references to National Grid having "sole discretion" over decision making have been deleted. A small number have been retained where a decision will be based on a risk/reward assessment by National Grid (e.g. non-obligated capacity release) or as a final step in a process where all practical criteria are considered first.