

5<sup>th</sup> August, 2010

Ms. Lesley Ramsey,  
National Grid,  
Transmission Commercial,  
NG House,  
Warwick Technology Park,  
Gallows Hill,  
Warwick,  
CV34 6DA,  
England.

**Re: Informal Consultation on Exit Capacity Substitution and Revision**

Dear Lesley,

Thank you for the opportunity to comment on this document. Gaslink makes this response in its capacity as operator of the network downstream of Moffat.

***Response overview***

In essence Gaslink has serious concerns regarding the application of the proposed exit substitution methodology in its current form at the Moffat exit point. We believe the regime could operate to inappropriately reduce the capacity available at Moffat and thereby prejudice security of supply standards for the island of Ireland and the Isle of Man.

Our concerns also relate more broadly to the reformed NTS exit regime itself, and its reliance on capacity demands signaled solely by NTS users. We believe this regime is inappropriate for cross-border interconnection points such as Moffat, where there needs to be a linkage between capacity arrangements and users on both sides of the interconnection point. Further, we believe that the application of the reformed exit regime at Moffat is inconsistent with forthcoming EU legislation.

We would welcome the opportunity to work constructively with National Grid to establish appropriate alternative capacity allocation mechanisms which accommodate the special needs of Moffat as a cross-border interconnection point, and which take account of ERGEG'S Pilot Framework Guideline for Capacity Allocation on European Gas Transmission Networks which addresses cross-border interconnection points specifically.

We explain out thinking on these matters in more detail below.

### ***Shortcomings of the reformed NTS exit regime***

The reformed exit regime constitutes an arrangement purely between National Grid (as TSO) and NTS users, and as such fails to recognise that capacity availability at system interconnection points is a wider issue – there are the legitimate interests of industry participants on the connected system to be taken into account.

For Moffat under the pre-exit reform arrangements this point was acknowledged and addressed by inclusion of a capacity registration (or “ticket-to-ride”) requirement, making a linkage between upstream and downstream capacity booking processes, but this does not form part of the reformed regime as currently proposed.

Gaslink’s fundamental concern with the operation of the reformed regime is that NTS users at Moffat are not alone best placed to signal forward NTS exit capacity requirements, and make financial commitments 3-7 years out, as is required to ensure capacity availability. Given the extremely high dependency of downstream gas and electricity consumers on NTS exit capacity availability and gas flows at Moffat, it is a concern that Moffat capacity booking processes are left solely in the hands of NTS shippers. It is clearly difficult for all individual NTS users to make a reliable assessment of, and commitment to, the collective requirement for future Moffat capacity, given the dynamic of competitive downstream markets.

### ***Performance of the reformed NTS exit regime***

During the exit reform consultation process we made our concerns known that the proposed arrangements would likely lead to spurious demand signals for Moffat capacity, and following implementation in 2009 this appears to be the case in practice.

The Moffat “demand signal” for 2012/13 and 2013/4 based on current enduring capacity holdings is ~529 GWh, around double the level of National Grid’s 1 in 20 peak day forecasts<sup>1</sup> for these years, and about 2.5 times the 1 in 50 peak day forecasts recently published jointly by the CER and NIAUR<sup>2</sup>. We question the benefits of a regime that yields signals that differ so radically from realistic forecasts of capacity requirements.

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<sup>1</sup> 2009 Ten Year Statement: Forecast 1 in 20 Peak Day Firm Demand for Exports via Moffat: 257 GWh in 2012/13 and 276 GWh in 2013/14

<sup>2</sup> Joint Capacity Statement 2010, the Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation, 26 July 2010: Moffat supply at 1-in-50 Winter Peak-day Demand (all supply scenarios): 211.8 GWh in 2012/13 and 213.9 GWh in 2013/14

### ***EU requirements***

In the context of the Moffat exit point, we disagree with the analysis within the consultation document that the reformed exit regime and the proposed substitution methodology are consistent with Regulation (EC) No 715/2009. In our view, to meet the requirements of the Regulation as regards (inter alia) market demand assessment and security of supply, there needs to be a linkage between capacity allocation arrangements and users operating on both sides of the Moffat interconnection point. Instead the NTS arrangements are reliant on demand signals provided solely by NTS users.

This issue is well recognised by ERGEG and has been the subject of consultation during 2009 and 2010, culminating in the submission of the Pilot Framework Guideline for Capacity Allocation on European Gas Transmission Networks to the European Commission on 21 June 2010. This guideline applies specifically to cross-border interconnection points between two or more Member States (as well as certain other interconnection points) and makes clear the need for linkage between capacity products on either side of the interconnection point.

### ***Development of capacity allocation mechanisms for Moffat***

In our view alternative capacity allocation mechanisms need to be developed for Moffat because, for the reasons given above, the provisions of the reformed NTS exit regime (with or without substitution) are giving rise to spurious information and are therefore not appropriate.

We would welcome the opportunity to engage with National Grid to establish appropriate solutions which accommodate the special needs of Moffat as a cross-border interconnection point. We also need to take account of ERGEG'S Pilot Framework Guideline for Capacity Allocation on European Gas Transmission Networks.

### ***Response to consultation questions***

In view of our fundamental concerns regarding the nature of the reformed exit regime we have not sought to provide responses to the detailed questions raised in the substitution consultation document.

If you would like to discuss any aspect of the above further, please do not hesitate to make contact.



Yours sincerely,



**Jack O'Connell**

**Market Arrangements Manager**