**Section 2: The Exit Capacity Substitution and Revision Methodology**

**a. Are there any other factors that National Grid should consider in the analysis of exit capacity substitution and revision opportunities?**
*No; this report appears to cover the issues that were raised at the exit capacity substitution workshops.*

**b. Are there any aspects of the analysis that should be excluded or amended?**
*No*

**Section 3.1: Substitutable Capacity**

**c. Is this definition of Substitutable Capacity appropriate? If not, why not?**
*Yes*

**d. Bearing in mind other issues raised in this consultation document, are there any additional factors that should be included to limit the definition of Substitutable Capacity? If so, please justify such inclusion.**
*No*

**Section 3.2.1 DN Flow Swapping**

**e. Do respondents agree that the risk presented by exit capacity substitution to DNOs' ability to flow swap is not significant? If not, please quantify.**
*SGN have to book Exit capacity to meet our licence obligations therefore this is secured using the enduring regime which ensures the capacity is available.  The potential to move capacity away from Exit points that are used by DN's would only affect our ability to secure capacity in the annual capacity process. This could mean that a customer on a DN who asks for more capacity that requires additional Exit capacity has a slightly greater risk that we may not be able to secure Firm capacity for three years but the current system already has that risk. Exit capacity substitution should not restrict our ability to flow swap as currently we would expect to keep within our exit capacity booking.*
**f. Are special arrangements that would exclude some/all DN offtakes from the scope of exit capacity substitution justified?**
*No*
**g. How would the DN offtakes to be excluded from exit capacity substitution be identified?**
*Not applicable*

**Section 3.2.2 Interruptible Sites**

**h. Is National Grid's assessment of the risk to off-peak / interruptible gas flows correct? If not, what have we failed to include and what are the implications?**
*We do not see this as an issue to SGN as we do not anticipate using off-peak capacity therefore we have not assessed the impact.*

**i. Are special arrangement that would exclude NTS Exit Points using interruptible capacity from the scope of exit capacity substitution justified?** *No*

**Section 3.3: Partial Substitution**

I. **National Grid would welcome views on whether substitution should only be applied where the whole incremental quantity can be satisfied through substitution or whether partial substitution is preferred.**
*It would appear sensible that National Grid should be able to use partial substitution to avoid investment; however mechanisms need to be put in place to enable this to take place in a timely manner.*

**Do you think that partial substitution is an added complexity that is disproportionate to the potential benefits?**
*No*

**Would respondents accept a delay to capacity allocations and release (subject to a UNC modification) pending agreement of partial revenue drivers if banded revenue drivers are not available?**
*No*

**Section 3.4: Donor NTS Exit Point Selection**
**o. National Grid would welcome views on its proposals for selection of donor NTS Exit Points.**
p. Do respondents agree that selection on the basis of same pipeline first is appropriate?
*This would seem a logical step.*

**q. Do respondents agree that selection on the basis of downstream donor points first is appropriate?**
*This would seem a logical step.*

**r. Should any other criteria be considered?**
*This selection process should be flexible so as the most suitable point is chosen. National Grid should be able to demonstrate that they have chosen the right solution if required.*

**s. Bearing in mind their indicative nature, does the flow direction diagram add valueto the methodology?**
*National Grid have indicated that flows on the network do change subject to sources of supply therefore this diagram could be out of date as soon as it is published.*

**Section 3.5: Process Timelines**
t. Would you be in favour of a change to the Licence removing the Authority's right to veto substitution proposals put forward by National Grid?
*National Grid should always be able to demonstrate that they have chosen the right solution if required. However the decision is with the Authority if they wish to relinquish the immediate right to veto.*

u. Would you support a UNC modification proposal that seeks to remove or limit the additional application processes for DNOs following closure of the July application window?

*SGN would not support this change as the number of variables (Pressure, Flat and Flex) that have to be taken into consideration in the Enduring process means that if it was a once only process we may have to behave more conservatively in order to secure sufficient capacity to meet out licence obligations. This could lead to inefficient investment.*

v. Are there any other alternatives that could be considered that would extend the available time for analysis of substitution opportunities?
*The time allowed for the OCS process could be reduced so that it is completed by the 1$^{st}$ September.*

w. Do you support National Grid's proposal to not make available capacity, which may be subject to substitution away from an NTS Exit Point, from sale until the Authority's decision on substitution proposals is known?
*This would seem a sensible option if NG do not normally receive many applications during this period.*

x. What alternatives are available to manage the uncertainty of capacity availability for ad-hoc / ARCA applications during the Oct-Dec period?

y. Is it appropriate to cover such arrangements in the exit capacity substitution methodology statement or should it be specified in the ExCR methodology statement and/or UNC?
*These proposals may require changes in all three documents however the UNC and EXCR should contain the major elements.*

**Section 3.8: National Grid / Ofgem Discretion.**
ff. Do you believe that National Grid should have discretion to deviate from the approved methodology where the methodology would result in clearly inappropriate substitution proposals?
*Yes, however National Grid should be able to demonstrate that they have chosen the right solution if required.*

**Section 3.9: Transitional Rules**
kk. Do you believe that any transitional rules should be included for the initial exit capacity substitution methodology? If so, what areas should be covered?

*Transitional rules should not be necessary assuming there is a reasonable lead time between approval and implementation.*

**Section 4: Key Issues with Exit Capacity Revision**
ll. Do you agree that exit capacity revision should only apply to the release of funded incremental obligated entry capacity where investment has been made in new infrastructure?
*No; if exit capacity revision has taken place as assumed in question mm. The capacity determined as being available at an exit point may be less than that of the infrastructure, therefore if circumstances change and more gas is being delivered at the entry point than originally demonstrated, this will make more exit capacity available. This could then enable exit capacity substitution to take place and NG should respond to that opportunity.*

**Section 4.1: Process Timelines**
mm. Do you agree with National Grid's proposal that exit capacity revision should be applied only when reliable gas flow are established and/or can be confidently assumed?

*This seems a reasonable assumption.*

nn. Is there an alternative that could allow revision to be applied earlier following entry capacity release in the QSEC auction?

*Isn't this the same as part two of question mm(confidently assumed?)*

**Section 4.2: Recipient NTS Exit Point**
oo. Do you agree with the proposal that notional exit points should be created as the only recipient exit point for exit capacity revision?
*Yes*
pp. If notional exit points are not used as suggested, how should recipient NTS Exit Points be selected?
qq. Irrespective of question oo, do you agree with the principle of creating a notional exit point for unallocated exit capability?
Yes
rr. Would the use of notional exit points require a Licence change?