nationalgrid
THE POWER OF ACTION

Exit Capacity Substitution and Revision Methodology Statement Formal Consultation Conclusions Report

17th December 2010

Executive Summary

Introduction

National Grid Gas plc ("National Grid") is the holder of the Gas Transporter Licence (the "Licence") in respect of the National Transmission System (the "NTS"). The Licence is reviewed periodically (every five years) in the Transmission Price Control Review[1] ("PCR"). The review is concerned with setting, principally, National Grid's allowed revenues as the owner and operator of the NTS in Great Britain. At the time of the PCR National Grid's rights and obligations are reviewed and may be amended.

The 2007 PCR introduced new obligations on National Grid in respect of the release of an agreed level of NTS Exit Capacity at each NTS Exit Point, the "baseline" level. Through the PCR National Grid has been remunerated in respect of this capacity. The PCR also sets out requirements to amend the baselines in certain circumstances in order to maximise National Grid's obligation to release capacity at locations where demand is greatest.

Specifically Special Condition C8E paragraph 3 (c) requires National Grid to use reasonable endeavours to:

- substitute unsold NTS baseline exit capacity between NTS Exit Points such that the level of NTS obligated incremental exit flat capacity (i.e. necessary investment) is minimised.
- revise the level of NTS baseline exit capacity in the event that the release of incremental entry capacity changes the availability of NTS Exit Capacity.

Special Condition C8E paragraphs 4 (b) i) and 4 (c) i) require National Grid to prepare:

- an exit capacity substitution methodology statement, setting out the exit capacity substitution methodology which it shall use to substitute NTS exit capacity.
- an exit capacity revision methodology statement, setting out the exit capacity revision methodology which it shall use to revise the level of NTS baseline exit capacity

These new obligations have been the subject of much industry debate.

National Grid has hosted a series of workshops to develop understanding of exit capacity substitution and revision, to consider how it should be implemented and to identify issues and potential solutions. These workshops were followed by an informal consultation which commenced on the 30th June 2010 and ended on the 6th August 2010. A fifth workshop was held to review responses to this consultation. At an early stage, National Grid identified that a single methodology statement should be produced to satisfy the requirements of Special Condition C8E paragraphs 4 (b) i) and 4 (c) (i) outlined above.

Details of these workshops and the informal consultation can be found on the National Grid website at
http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/ExCapSubMS/

Special Condition C8E paragraph 4 also requires National Grid to submit its proposed methodology statement to the Authority for its approval. In accordance with the Direction issued by the Authority on 23rd February 2009[2] National Grid is required to submit its proposed methodology statement for approval no later than 4th January 2011. Paragraph 4 further requires National Grid to consult interested parties on its proposed methodology statement and, within 14 days of the close of the consultation, to submit to the Authority a consultation conclusions report.

[1] The next control period is being referred to as RIIO-T1, "Revenue = Incentives + Innovation + Outputs.
[2] Derogation notice to delay the introduction of exit substitution and baseline revision dated 23/02/2009
http://www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/ExitSub/Documents1/Exit%20Capacity%20Direction.pdf

In accordance with Special Condition C8E paragraph 4, on 5th November 2010 National Grid initiated its consultation on the proposed Exit Capacity Substitution and Revision methodology statement and invited views in respect of the proposed statement to be made by 3rd December 2010. This document sets out, in accordance with paragraphs 4 (b) (iv) (cc) and 4 (c) (iv) (cc), National Grid's conclusions on the consultation. It includes representations received, National Grid's response to those representations, and indicates changes made to the proposed statement as a result.

Responses

Representations were received from the ten respondents listed below.

SGN Scotia Gas Networks
BGT Centrica Energy (excluding Centrica Storage Limited)
AEP Association of Electricity Producers
SSE Scottish and Southern Energy plc
RWE RWE group of companies, including RWE Npower plc and RWE Supply and Trading GmbH
EON E.ON UK plc
EdF EdF Energy
GLk Gaslink
NGD National Grid Gas Distribution
InP International Power plc

Key Issues

In the consultation cover letter of 5th November 2010, National Grid discussed two specific issues. Both of these featured prominently in responses.

- **Capacity Release Date with Substitution**:
  Six respondents favour application of substitution in line with default capacity release lead-times, i.e. no earlier than October Y+4. Three respondents preferred maximising the release of capacity by allowing substitution at any time. Based on consideration of the responses National Grid is proposing a Y+4 trigger date.

- **Treatment of Interconnectors**:
  In response to National Grid's question whether special rules should apply to interconnectors (specifically Moffat exit point),
  - three respondents favoured consistency with other exit points, subject to compliance with regulations,
  - one respondent felt that a case could be made for different treatment, but did not state an opinion either way, and
  - two respondents support different treatment. Both of these (including a DNO) limited their reply to Moffat and felt that this exit point should be excluded from substitution. Gaslink gave a detailed rationale for their view (see table below).

  In the exit capacity substitution workshops Ofgem stated that a strong case needs to be made for different treatment and that this would form part of their proposed impact assessment following submission of this report and the proposed methodology statement. National Grid believes that the case put forward by Gaslink does not justify differential treatment at this time. In the absence of a clear legal obligation (and we believe that we are compliant with all existing regulations) and bearing in mind existing capacity allocations either side of the Moffat connection, we consider that differential treatment could be judged as unduly discriminatory.

In addition to these two issues, the following issues received significant comment:

- **Exchange Rate Cap & Collar**: Respondents were supportive of no exchange rate collar. One respondent proposed an exchange rate cap at 1:1 to avoid capacity destruction. National Grid's proposed methodology remains unaltered with a 3:1 cap and no collar.

- **Partial Substitution:** This is supported by all five respondents. However, concern was expressed that the need for revenue drivers could delay capacity allocations. This will not occur: the methodology proposes that if a revenue driver is not available for the residual investment, the partial substitution will not be undertaken. National Grid's proposed methodology remains unaltered.

- **Capacity Available for Sale**: All respondents agreed with the approach taken by National Grid to address the issue. However, a number were concerned that this could delay the provision of offers to ad-hoc or ARCA applications. This will not be the case. One respondent questioned the criteria for excluding capacity from substitution where a financial commitment has been made. National Grid has amended the methodology statement (paragraph 19k) to relax this criterion (see 9.4 below).

- **Effective Date of Baseline Reduction:** One respondent sought clarification of the date that baseline capacity at a donor exit point would be reduced. A new paragraph 24 has been proposed clarifying that the reduction will take place at the date when incremental capacity is available at the recipient exit point. Thus capacity will remain at the donor exit point until this date.

Respondents also raised further issues that are outside the scope of the consultation. These question the introduction of exit capacity substitution in principle rather than commenting on the specifics of the methodology. Such issues include the potential impact on security of supply, system flexibility and quantification of potential benefits. National Grid believes that these issues should be addressed in Ofgem's proposed impact assessment. National Grid accepted the exit capacity substitution obligation at the last price control; any derogation in respect of the obligation (as proposed by EdF) should, therefore, be initiated by Ofgem.

Detailed comments from respondents and National Grid's response to these comments are provided in the following table.

No.	Party	Response Quotes	National Grid Response	Proposed changes
1 – Capacity Release Date with Substitution				
1.1	SGN	….favour substitution to apply **from any date**. This seems a more pragmatic approach allowing substitution to take place earlier, where practical.	National Grid notes the difference of opinion on this issue. As pointed out in the consultation, and in responses, there are advantages and risks to either option. On consideration of responses we believe that it is appropriate to consider substitution opportunities from October Y+4 only. In addition to comments already made, we believe that "Y+4" best meets the original objectives of simplicity and transparency. We will, of course, review this aspect of the methodology following initial application in 2011.	No change.
1.2	BGT	….we prefer....substitution to apply **from any date**. Whilst we recognise that a User relying on off-peak capacity.... may….see its risk of securing firm capacity….increased this should not deflect from valid applications for firm capacity elsewhere. .... Reliance on off-peak capacity already carries risk and Users utilising such capacity will seek to avoid paying for the capacity…. a User applying for firm capacity via an Ad Hoc application....will be demonstrating a greater commitment to utilising the capacity via the 4-year User Commitment. ….new projects, or enhancement to existing ones, should not be subject to potential delays by restricting substitution as described in the option ("Substitution to apply from Y+4"). The principle of User Commitment is central to the argument and underpins National Grid's investment decisions – if Users want certainty then they apply for firm capacity and this, in our opinion, should be made available as soon as reasonably practicable.		No change.
1.3	AEP	The Association considers that the release date **should be Y+4** consistent with investment leadtimes. This was an underlying assumption through the development process and the idea of using substitution to provide capacity as early as M+7 only emerged after the informal consultation in September. The main principle supporting the case for exit substitution was avoiding investment, but investment would not be avoided if capacity were released from M+7.	See above.	No change.

1.4	SSE	SSE agrees with the point in paragraph 19(I) that any capacity available to use before 1st October **Y+4** will not be substitutable capacity. This was an underlying assumption through the development process …. using substitution to provide capacity as early as M+7 only emerged after the informal consultation …. The main principle supporting the case for exit substitution was avoiding investment, but investment would not be avoided if capacity were released from M+7. In addition, a Shipper at a potential donor exit point may be reliant upon off-peak capacity, baseline capacity at that exit point could, at Y+4, be substituted away. In this event, the Shipper would be concerned that the loss of baseline capacity, and resultant tightening of the system, would lead to a greater risk of curtailment. Hence they would wish to switch to firm capacity by "recovering" the baseline through a request for incremental capacity. …. The Y+4 rule would ensure that the increased risk of curtailment …. pending delivery of the necessary works to release incremental capacity, is limited to one year. The M+7 rule would potentially lengthen the period that off-peak Users would need to wait.	See above.	No change.
1.5	RWE	National Grid is considering two approaches; substitution to apply from Y+4 or substitution to apply from any date. Although we can see the potential benefits of both, on balance we support limiting substitution to apply **from Y+4** only. Our main reasons include consistency with entry substitution, retaining the principle that substitution should be undertaken to avoid incremental investment and providing shippers at donor exit points the opportunity to better mitigate their risks.	See above.	No change.
1.6	NGD	Exit Capacity Substitution should apply **from Y+4** or later so that the timescale for substitution is aligned with that of the construction of assets. This is appropriate because substitution is intended to minimise investment, which cannot be completed before Y+4.	See above.	No change.

1.7	EON	We support the application of substitution **only in Y+4 timescales**, which is consistent with the starting principle of substitution; to avoid unnecessary network investment. Substituting capacity in shorter timescales presents unacceptable risks to Users, as it provides virtually no notice in order to manage the risk of scale backs. This could have serious consequences for directly connected customers, including CCGTs and gas storage. We disagree that substitution should not occur nor capacity be released at all if a revenue driver has not been agreed in advance and included in the licence. This is a problem for NG NTS to resolve with Ofgem. Failure to do so will continue to have an adverse impact on Users of the network.	See above. Consideration of whether capacity should be released with or without a revenue driver is outside the scope of this methodology. National Grid is continuing to work with Ofgem to address this issue.	No change.
1.8	EdF	Limiting substitution to enduring exit capacity applications for Y+4 may provide certainty to Shippers who have not booked enduring capacity. However, this will not ensure the efficient and economic development of the pipeline system. ……there are instances when NGG NTS can deliver incremental capacity that requires investment **prior to Y+4**. While these may not be that numerous, it would seem perverse that the methodology would not support substitution of existing capacity, over investment.	See above.	No change.
1.9	EdF	we note that on entry capacity National Grid can deliver incremental capacity within the traditional, common, 42 month lead time. We understand that this can also be met through substitution and so enabling substitution for ad hoc and ARCA applications would be more consistent with the entry regime, although recognising the two regimes are different.	Entry capacity substitution will be applied in advance of the default lead-time only where a permit (to reduce the lead-time) has been signalled by National Grid in advance of the auction. National Grid must be assured that investment can be delivered (and hence avoided by substitution) within the default lead-time. Without this confidence, there would be a risk that any Substitutable Capacity needed for early release could be obtained by Users at the donor ASEP. Entry substitution will not be initiated within 42 months if no permit has been played. Because exit capacity is released as an annual product, the opportunity for NG to play permits to	No change.

			reduce exit capacity lead-times is highly limited. Hence for simplicity a blanket "Y+4" rule is being proposed. This rule is proposed to apply to ad-hoc and ARCA applications with Y+4 and later release dates.	
1.10	InP	IPR does not consider it appropriate to reduce the exit substitution lead time from Y+4 to M+7 for three reasons: • this is a major change in the proposals being introduced late on in the process; exit substitution is being introduced to avoid investment, reducing the substitution timescale to 7 months would be inconsistent with the rationale for having exit substitution; • an hoc applicants would receive preferential to the detriment of users relying on Annual or Daily Capacity. Effecting substitution within investment lead times to support ad hoc applications would appear to make capacity available to ad hoc applicants on a first-come-first-served basis, to the detriment of users relying on Annual or Daily Capacity. In our view this is inconsistent with a fundamental principle of the regime – that the limited amounts of capacity available within investment lead times are made available to all users on an equal basis, with appropriate rationing mechanisms used as necessary (for example pro-rating for Annual Capacity or by auction for Daily Capacity).	The possibility of substitution applying before Y+4 arose as a result of a response received to the informal consultation. National Grid gives consideration to all comments received to its consultations and believed that, following workshop 5, this issue merited specific mention in the final, formal, consultation. National Grid agrees that substitution should be aligned to default investment lead-times. We do not believe that substituting capacity before Y+4 would give ad-hoc applicants preferential treatment. Users at a potential donor exit point can buy Annual capacity up to the end of Y+3 hence protecting capacity from being substituted elsewhere. It is true that Users relying on Daily capacity may find that capacity substituted away in response to an ad-hoc application. As the ad-hoc applicant will pay the relevant exit capacity charge and will have a four year User commitment, it might be argued that this is preferable to reserving the capacity for Daily use. However, National Grid is proposing to apply the Y+4 criteria (see 1.1 above).	No change.

2 – Treatment of Interconnectors				
2.1	SGN	SGN has no preferential view on the approach used for Interconnectors, although we do agree that the **Moffat Interconnector should be excluded** from this methodology due to the constraints that could be placed on the off-take if capacity were removed due to substitution.	We note SGN's support for treating Moffat differently from other interconnectors. We believe that identifying Moffat for exclusion is more likely to be seen as undue discrimination than treating all interconnectors the same but different to other exit points. The justification put forward regarding potential constraints could be applied to all exit points, but DN offtakes in particular. We believe that this is an argument for not undertaking substitution at all and should, therefore, be addressed via Ofgem's impact assessment.	No change.
2.2	BGT	We agree with National Grid's proposal to **treat interconnectors the same as other exit points** for the purpose of substitution. Naturally, if legislation requires a different treatment, then this will have to be reviewed and re-consulted on. It would be helpful for National Grid to re-assess and report on the risk of substitution at interconnector exit points following the July 2011 capacity reduction window.	If and when GB or EU legislation requires amendment of the methodology we will progress such changes. Following assessment of reduction applications in July 2011 National Grid will publish the quantity of "unsold" capacity. This quantity will be considered available for substitution.	No change.
2.3	AEP	The Association considers that on the basis of EU legislation current (Security of Supply Regulation) and proposed (Capacity Allocation Framework Guidelines and Congestion Management Arrangements) **NG could make a case to treat the Moffatt Interconnector differently** such that capacity is protected from substitution below a certain level, which could be defined as the Technical Capacity for gas to enter the Irish system. This could make implementing these pieces of legislation more straightforward. However given the current level of commitments at Moffatt this is unlikely to be a real issue in practice over the next few years, so NG could feel comfortable in this respect.	We believe that current GB legislation does not require National Grid to make special provision for Moffat interconnector. Any proposal including special provisions could be considered unduly discriminatory, particularly when many DN offtakes have similar issues. If, and when, GB or EU legislation is more clearly defined, and special provisions can be put forward without potentially being viewed as discriminatory, we will act accordingly. As there is currently no Substitutable Capacity at Moffat we believe downstream operators can take comfort that capacity cannot be substituted from Moffat unless Shippers relinquish existing rights.	No change.

2.4	RWE	Subject to complying with the requirements of the relevant EU legislation, we **do not believe that there should be special arrangements** introduced to exclude any NTS offtakes from the scope of exit capacity substitution. We therefore agree with National Grid's proposed methodology.	See comments above.	No change.
2.5	NGD	Unless there is a very good reason, e.g. an EU directive, the process for the booking and allocation of exit capacity **should not discriminate between classes of exit point**.	See comments above.	No change.
2.6	GLk	Gaslink retains serious concerns regarding the application of the proposed exit substitution methodology at the Moffat cross-border interconnection point. We believe that the proposal is inconsistent with EU requirements including the provisions of Regulation (EC) 715/2009. It could also operate, in conjunction with the reformed exit booking regime, 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. We therefore cannot support implementation of substitution at the Moffat Interconnection Point. We do, however, believe that the issues is capable of a mutually satisfactory resolution and offer below our views on an appropriate way forward and confirm our willingness to work with you to resolve this issue, involving joint development of more appropriate capacity booking arrangements for Moffat, taking into account EU requirements and security of supply issues.	National Grid notes the serious concerns expressed and non-support for substitution at the Moffat NTS Exit Point, but disagrees that the proposal is inconsistent with EU requirements. Exit substitution could operate to reduce the capacity available at Moffat (or any other exit point). Whether this is inappropriate or not is fundamental to the substitution principle: if there is a User commitment (generally if capacity is sold) it cannot be substituted, but if there is no User commitment (not sold) it may be substituted. To remove the User commitment criteria would give some Users, at some offtakes, greater certainty of the availability of capacity at a lower (perhaps zero) cost. With regard to the reformed exit booking regime, this has now been implemented. Changes to the regime to correct actual or perceived issues are outside the scope of this consultation. National Grid is prepared to explore potential solutions to any customer's capacity allocation issues, but this must be within the confines of the current regime (or feasible changes there from).	No change.

2.7	GLk	The reformed NTS exit regime is reliant 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, as under the existing "ticket to ride" arrangements. It is clearly difficult for individual NTS users to make a reliable assessment of, and commitment to, the collective requirement for future Moffat capacity to meet downstream security of supply standards.	We recognise the desire for a link between Users on both sides of the interconnection point. The Overrun User concept, detailed in UNC, could be used to address the concerns expressed. A single (Overrun) User could be given responsibility for capacity bookings at an exit point and this User would ensure consistency and sufficiency of exit and entry capacities thereby providing the linkage sought after. However, issues with the reformed NTS exit regime are outside the scope of this consultation.	No change.
2.8	Glk	It is therefore possible that the level of Moffat capacity booked by NTS users could fall below the required level. The substitution arrangements as currently proposed could then operate to remove unsold capacity from Moffat and reduce the baseline such that the physical availability of Moffat capacity is below that required to ensure downstream security of supply.	If, and only if, Users at Moffat exit point reduce their capacity allocations such action could result in aggregate capacity holdings falling below the "required level". Substitution could then move the unsold capacity to where it is needed (as determined by a User commitment). However, this would not reduce the physical capability at Moffat: it will reduce the commercial availability. Users may still be able to physically flow at the higher rate, but this would be subject to potential curtailment and overrun charges etc.	No change.
2.9	GLk	**Security of supply concerns** We would ask National Grid to review its substitution proposals in light of both the potential impact on security of supply downstream of Moffat, and EU legislation concerning cross-border capacity and security of supply. TSOs (and indeed regulators) have important obligations in these areas which have been significantly strengthened in the "Third Package". For example, Article 13 of Directive 2009/73/EC (Tasks of transmission, storage and/or LNG system operators) requires that "Each transmission system operator shall build sufficient cross-border capacity to integrate European transmission infrastructure accommodating all economically reasonable and technically feasible demands for	We note that substitution could, theoretically, have an impact on security of supply downstream of Moffat. However, this impact can only occur if Moffat Users act to reduce, in aggregate, their existing capacity allocations below that needed for downstream requirements. National Grid has built, and made available, capacity on an enduring basis sufficient to satisfy downstream security of supply. If this capacity is not bought (or is relinquished) it would seem uneconomic not to make that capacity available to satisfy incremental demands elsewhere.	No change.

		capacity and taking into account security of gas supply".	It is worth noting that, in accordance with the Licence, Ofgem will have the right to veto any exit capacity substitution submitted by National Grid, even where these are consistent with the approved methodology statement.	
2.10	GLk	**Capacity allocation at Moffat** In our view the root cause of the security of supply problem at Moffat is the application of the reformed NTS capacity allocation mechanisms, which provide no linkage between upstream and downstream arrangements. Whilst addressing this issue might lead to different arrangements for Moffat compared to other NTS exit points (most of which are not Exit Points to other European jurisdictions), this in our view would not be unduly discriminatory – a concern frequently raised by National Grid – as the different treatment would be justified by the nature of the Moffat exit point as part point of interconnection meeting 94% of the requirements of the down-stream system.	The reformed exit booking regime, this has now been implemented. Changes to the regime to correct actual or perceived issues are outside the scope of this consultation. Throughout the workshops and in some consultation responses (see above) there were some parties that opposed special treatment. Hence, without clear legal requirement (and we note the difference of opinion on EU regulations) National Grid remains concerned that differential treatment for Moffat could be judged to be undue discrimination.	No change.
2.11	GLk	**Treatment of Distribution Network (DN) offtakes** We also note in this context that under the reformed exit regime NTS exit points to DNs are treated differently from other NTS exits, in that DNOs (rather than Shippers) book the NTS exit capacity. Our understanding is that these arrangements were developed because of concerns that downstream security of supply (within the DNs) could be compromised if NTS shippers were to be solely responsible for capacity booking at these points. There is a clear analogy with the Moffat situation, although a different solution in terms of capacity booking arrangements would be required.	Although, in some instances DNOs face similar network management issues to Gaslink; i.e. reliance on a single entry point for security of supply obligations, NTS/DN offtake capacity allocation processes needed to consider the majority of cases, i.e. where the DNO has multiple entry points available to source gas for downstream consumers. Hence it is not feasible for Shippers to book NTS exit capacity in these situations, because they have no control over which NTS/DN offtake the DNO will use to transport gas to their consumers. As the implementation of substitution was not unknown when the new capacity application processes were approved, we believe that the issue could be addressed through analogous processes to allow a single User to manage capacity bookings at Moffat (and similar exit points), i.e. through the	No change.

			Overrun User process. In addition, during the exit capacity substitution workshops Ofgem stated that a case needs to be made for different treatment and that this would be considered in their proposed impact assessment following submission of the proposed methodology statement to the Authority for approval. National Grid believes that the case put forward by Gaslink does not justify differential treatment at this time.	
2.12	GLk	**EU Requirements** As stated previously in our response of 5th August, 2010 to National Grid's "Informal Consultation on Exit Capacity Substitution and Revision" we do not agree that proposed substitution methodology is consistent with Regulation (EC) No 715/2009. The need for linkage between capacity products on either side of interconnection points 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). The Pilot Framework Guideline for Capacity Allocation states that "transmission system operators determine the firm and interruptible capacity[3] they jointly offer at each interconnection point".	National Grid remains of the view that the proposed substitution methodology is not inconsistent with EU regulations. In the event that regulations are developed that are inconsistent with the methodology, National Grid will review the methodology and propose appropriate changes to the Authority. We believe that currently capacity is offered in quantities in excess of that required.	No change.
2.13	GLk	If it is your intention to proceed with exit substitution then the exit substitution methodology should include provisions precluding substitution of capacity away from Moffat (and any other equivalent exit point) to the extent necessary to maintain downstream security of supply standards. The forecast Moffat	We understand the rationale behind the proposal to exclude capacity, up to a specific level, from being defined as "Substitutable Capacity". However, we note that Gaslink's own data (see	No change.

[3] As defined in Art. 2 of the Gas Regulation (EC) No. 715/2009

		demands set out in the Joint Capacity Statement, issued annually by the Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation, may provide a helpful basis for setting substitution limits at Moffat. If you wish to receive a copy of this document please contact us. We understand that the Joint Capacity Statement is discussed with your representatives at bi-lateral meetings.	http://web1.bgegtms.ie/index.html) shows Moffat contracted entry capacity of only 203GWh/d for 2010/11, 42GWh/d for 2011/12 and no more than 15GWh/d for future years. This compares with enduring Moffat exit capacity allocations in excess of 500 GWh/d. This suggests that sufficient exit capacity has been made available, and has been allocated. In addition, the Joint Gas Capacity Statement 2010 (section 4.1) suggests a decline in reliance on supplies from Moffat: "*in the short term to medium term, the majority of … demand will continue to be met from … the Moffat Entry Point. This supply outlook is likely to change significantly from 2012/13 and particularly from 2015*". Substitution is not expected to apply in advance of 2014/15. Peak day Moffat supply data in the statement (tables A1-1 to A1-3) supports the CER's view: 2014/15: 150-220GWh/d (subject to scenario); 2017/18/19: 0 - <100 GWh/d. This data suggest that retaining capacity at Moffat (when Users have reduced their capacity allocations, and incremental capacity has been signalled elsewhere) runs the risk that unnecessary investment may be required for other exit points. The cost of this investment would be borne by upstream Users and consumers.	
3- Exchange Rate Cap and Collar				
3.1	SGN	….agree that an exchange rate collar is not required and it would be appropriate to review this following the initial application	Whilst we have reservations regarding non-application of a collar, we are proposing an initial methodology without a collar. As suggested by SGN, we will review this after initial application.	No change.
3.2	BGT	We support the exclusion of an exchange rate collar from the methodology. We believe that this will allow for more efficient capacity substitution.	Noted.	No change.

3.3	AEP	We welcome NG's current proposal to not include a collar at this time. We consider that any collar would be inefficient in that if a 1:1 collar had been introduced baselines would have been reduced more than is necessary, and probably at more locations, in order to deliver the incremental capacity at the recipient exit point. This would have created 'spare or unallocated' capacity in the network about which there would be not transparency.	We disagree that the application of a collar would be inefficient. Whilst it would lead to a greater reduction in baselines, the unallocated capacity created would remain available for other capacity applications. However, we do agree that transparency would be reduced.	No change.
3.4	SSE	SSE welcomes the decision to omit exchange rate collars …. as we believe this creates a lack of transparency of capabilities of the network. SSE consider that any collar would be inefficient in that if a 1:1 collar had been introduced baselines would have been reduced more than is necessary, and probably at more locations, in order to deliver the incremental capacity at the recipient exit point. In addition, it would have created 'spare or unallocated' capacity in the network about which there would be not transparency.	We disagree that the application of a collar would be inefficient. Whilst it would lead to a greater reduction in baselines, the unallocated capacity created would remain available for other capacity applications. However, we do agree that transparency would be reduced.	No change.
3.5	RWE	National Grid has indicated that donor exit points downstream of the recipient exit point can provide incremental capacity at an exchange rate normally less than 1:1. This is an efficient outcome and consistent with the aims of substitution and we agree that there should be no exchange rate collar included in the methodology.	Noted.	No change.
3.6	EON	We agree that substitutions should be permitted where the exchange rate is less than 1:1. This is something we argued for strongly during the entry capacity substitution development process but was opposed by NG NTS. Inclusion of this principle makes it inconsistent with entry substitution methodology and therefore, we believe entry substitution requires review in light of this change in policy by NG NTS.	We recall EON's argument against a 1:1 exchange rate collar for entry capacity substitution. This was discussed at the time and the collar proposed and approved. We did consider proposing a collar for exit capacity substitution. Notwithstanding that there are other advantages to a collar (discussed in the informal consultation) we believe that consistency, for the sake of consistency, leads to sub-optimal solutions. We have been persuaded that the downside of a collar outweighs the advantages and have, for this reason,	No change.

			put forward a proposal that is inconsistent with entry substitution. In this situation, we believe that inconsistency is not an issue.	
3.7	EdF	A cap of 1:1 should be placed on exit capacity substitution to ensure that capacity "destruction" does not occur and that the NTS remains fit for purpose.	We note EdF's desire to avoid capacity destruction. However, if capacity does not have a User Commitment associated with it (e.g. it is not sold) the presumption should be that it is not valued. This logic would see no cap on capacity exchange rates. Whilst being set arbitrarily, a 3:1 cap seems a reasonable compromise to NG.	No change.
3.8	EdF	We support NGG NTS' proposal to remove the exchange rate collar so that capacity can be created through the substitution process.	Noted.	No change.
4 – Partial Substitution				
4.1	SGN	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.	Noted. However, application of partial substitution will be subject to agreement with Ofgem of revenue drivers.	No change.
4.2	BGT	….Partial Substitution should be used where this results in the most efficient solution. We therefore support the inclusion of Partial Substitution in the methodology.	See above.	No change.
4.3	AEP	The Association appreciates this is a complex issue and that having a revenue driver agreed may assist in identifying economic vs. uneconomic substitution or investment. However we disagree that substitution should not occur nor capacity be released at all if a revenue driver has not been agreed in advance and included in the licence. See paragraphs: 61,65,66,70. The Association has raised this issue on a number of occasions including in response to IExCR consultations and remains concerned that applications for revenue drivers are at NG's discretion and beyond the influence of Users or developers. We are aware that Ofgem anticipates process improvements in this area, but would anticipate in the intervening period that capacity is released to	Consideration of whether capacity should be released with or without a revenue driver is outside the scope of this methodology (as noted it falls within the ExCR). In respect of Partial Substitution National Grid is addressing the potential issue where a revenue driver has been agreed for a new load (of say 10 GWh/d). Substitution for 40% of the new load is identified, leaving investment to cover 6 GWh/d. The revenue driver is applicable only for 10 GWh/d. Unless a methodology for determining revenue drivers over a capacity range is agreed; National Grid would need to	No change.

		Users and a default revenue driver established on a regional or incremental size basis to ensure capacity is allocated to Users and efficient decisions regarding investment or substitution are made.	seek to agree a revenue driver after substitution analysis, thereby delaying capacity allocation. National Grid believes that this is not acceptable so is proposing that (if partial revenue drivers are not available) 10 GWh/d would be released and allocated, and this would be met entirely through investment.	
4.4	SSE	SSE acknowledges that having a revenue driver agreed might assist in identifying economic or uneconomic substitution or investment. However we disagree that substitution should not occur nor capacity be released at all if a revenue driver has not been agreed in advance and included in the licence. This is because this is at NG NTS's discretion and Users have no control over the process. SSE would anticipate in the intervening period that capacity is released to Users and a default revenue driver established on a regional or incremental size basis to ensure capacity is allocated to Users and efficient decision regarding investment or substitution are made.	This is outside the scope of this consultation: the need for revenue drivers in the event that investment is required is covered in the Exit Capacity Release methodology statement. The substitution methodology merely confirms this in respect of partial substitution. National Grid is working with Ofgem on improving the delivery of revenue drivers. Substitution (or non-substitution due to absence of revenue driver) will not affect the release of capacity to Users.	No change.
4.5	RWE	Partial substitution may represent the most economic and efficient outcome in terms of minimising the investment needed to provide NTS obligated incremental exit flat capacity and we agree with it in principle. However, we do remain concerned that National Grid's requirement for a revenue driver for the partial investment to be agreed ex ante may add a disproportionate level of complexity and uncertainty into the allocation process. The process for agreeing revenue drivers is controlled by National Grid and Shippers and developers have little influence. Ofgem is proposing a consultation on generic revenue drivers and we hope that this streamlines the application process such that it does not adversely impact upon the methodology.	We believe that partial substitution will represent the most economic and efficient outcome in terms of minimising the investment for all scenarios except where a small amount of residual investment remains. Hence we believe that partial substitution should be pursued. However, we agree that the need for revenue drivers should not create delay, uncertainty or complexity. Thus, we are proposing that partial substitution is not pursued where partial revenue drivers are needed and are not available at the time of the assessment.	No change.

5 – Process				
5.1	NGD	National Grid Gas Distribution (NGGD) acknowledges that the process adopted prior to the publication of your consultation was appropriate and has provided an opportunity for all interested parties to express their opinions. NGGD believes that the process of Exit Capacity Substitution should be as simple as possible bearing in mind the need for a transparent process that is equitable and maximises benefits.	Noted. National Grid has endeavoured to propose a methodology that is as simple as practicable.	No change.
5.2	EdF	However, recognising that a derogation has not yet been granted, we appreciate the work of NGG NTS in developing a transparent methodology that provides clarity to Shippers and interested parties as to how it might be implemented.	We welcome EdF's appreciation of the work undertaken so far. The possibility of a derogation of the substitution obligation is for Ofgem to consider.	No change.
5.3	GLk	We do not believe that the consultation cover letter properly frames the issues that have been identified with regard to the treatment of interconnectors. More specifically, we note that the consultation cover letter does not acknowledge that concerns over security of supply are a key issue for Moffat.	The cover letter was not intended to be a detailed assessment of the issue. Merely it was intended to provide a high level summary and description of the options. A link was provided in the letter to workshop material and the informal consultation. However, your concerns have been noted and will be taken into account in future consultations.	No change.
5.4	GLk	We emphasise that our concerns over security of supply arise as a result of the combined effect of (1) the reformed exit booking regime and (2) the substitution proposals. Taking the exit booking regime for Moffat first, we repeat the offer made in our previous consultation response, that we are willing to work constructively with National Grid to establish appropriate capacity allocation solutions which accommodate the special needs of Moffat as a cross-border interconnection point and which are aligned to ERGEG'S Pilot Framework Guideline for Capacity Allocation on European Gas Transmission Networks.	(1) The exit booking regime is outside the scope of this consultation. (2) See response 2.9 above. National Grid is prepared to explore potential solutions to Moffat capacity allocation issues. This must be within the confines of the current regime (or feasible changes there from).	No change.

		However, we do not believe that a revised capacity allocation regime for Moffat can be properly developed within the timescales contemplated for exit substitution implementation. Further, we cannot be sure at this stage that such a revised regime would operate appropriately in conjunction with the substitution regime as currently proposed.	We believe that the substitution methodology can be implemented successfully alongside the enduring exit processes without adverse effect on Moffat capability, but this may be subject to appropriate User activity. Any change to the exit allocation process is outside of the scope of this consultation.	
6 – Benefits and Risks				
6.1	RWE	We agree, in principle, with the requirement to utilise efficiently existing transmission network capability and avoiding stranded or inefficient investment. Exit capacity substitution and revision offers a potential mechanism to achieve this, but we continue to be concerned that substituting capacity between exit points will remove flexibility from the NTS. Gas-fired generation is expected to play an increasingly important role in the future energy mix and in particular providing balancing services in the power market as deployment of intermittent generation increases. Any reduction in NTS flexibility and the availability of off-peak capacity, may affect security of supply of both gas and electricity. The exit capacity substitution methodology will need to balance the arguably conflicting objectives of cost savings and reduced system capability.	National Grid agreed the substitution and revision obligations as part of TPCR4 in 2007. We anticipate that Ofgem will cover the wider implications of substitution and revision, taking into account developments since 2007, in their impact assessment before the Authority's decision on substitution and revision.	No change.
6.2	NGD	On occasions during the process NGGD made representations to you about quantifying the benefits of introducing Exit Capacity Substitution. To date you have not produced any justified figures showing the amount of money that will be saved. NGGD is somewhat sceptical that there will in fact be substantial savings however in spite of this NGGD is likely to acquiesce with your proposals provided that the points that we have made about Y+4, non-discrimination etc. are adhered to.	National Grid presented data at workshop 1 to quantify the scope for substitution benefits. Actual benefits will depend upon the demand for incremental capacity and the availability of Substitutable Capacity. This information is mainly within the control of Users not National Grid. We expect potential benefits and costs will form part of Ofgem's impact assessment.	No change.

6.3	EON	As set out in our previous comments on entry capacity substitution, in principle substitution seems a logical idea (to the extent that it is a method of making better use of existing assets), but that it must be implemented in a way which delivers genuine, long-lasting benefits for the whole market and ultimately customers – not just cost-savings for National Grid NTS. In addition, we are conscious of the potential for unintended consequences that implementation of this methodology may have, due to significant additional complexity in the exit capacity regime for all Shippers, and particularly for new entrants. However, we recognise that these are issues for Ofgem's Impact Assessment rather than the methodology itself.	Entry and exit capacity substitution are not cost-saving processes for National Grid. Substitution reduces National Grid's obligation to make capacity available where it is not wanted to where it is needed, i.e. it moves it to where gas is more likely to flow. Hence National Grid's operating costs are unlikely to decrease. Whether the benefits of exit substitution are genuine and long-lasting is for Ofgem to consider in their impact assessment. We agree that the impact assessment could also cover the potential for unintended consequences. However, we note that workshop participants opposed National Grid having any discretion to deviate from the approved methodology to manage such consequences.	No change.
6.4	EdF	We continue to oppose the implementation of this regime. As recognised from NGG NTS' initial presentation on this issue to the workshops, implementation of this regime appears to have limited recognisable benefits for consumers. At the same time the downside risk to security of supply, operation of both the gas and electricity system and complexity are clearly present. Therefore, the optimal solution would be for a derogation to be provided to NGG NTS in relation to this Licence Condition.	These issues should form part of Ofgem's impact assessment. It would be for the Authority to decide, following Ofgem's impact assessment, whether derogation is appropriate.	No change.
6.5	EdF	Further analysis should be undertaken on the impact that this proposal will have on offtake capacity and the likelihood of interruption. In particular, we believe that NGG NTS should provide some analysis to supports its assertion that the curtailment of offpeak capacity may increase.	National Grid does not have the analysis requested. The assertion made in workshop 1 is based on the fact that with substitution NTS exit flows increase without any increase in system capability (no investment). The consequence of this is that the system will be tighter and will be constrained more often/earlier than with investment. An early constraint management action is to curtail off-peak Users.	No change.

			To be able to provide any meaningful assessment on the impact of substitution on off-peak Users requires an understanding of the behaviour of off-peak Users. This is not available to National Grid.	
6.6	EdF	We also note that these proposals or consultations have not undertaken any appraisal on issues affecting security of supply. Both Ofgem, through Project Discovery, and the Government has recognised the importance of storage in meeting the UK's Security of Supply requirements. Additional consideration should be given to ensure that this proposal does not have a detrimental impact on the UK's security of supply position.	We anticipate that this issue will form part of Ofgem's impact assessment.	No change.
7 – Recipient Exit Point order.				
7.1	SSE	SSE is supportive because it should ensure that the maximum avoided investment can be achieved.	Noted.	No change.
7.2	AEP	Para 27 – not clear why any residual investment would be in respect of a **greater** number of smaller NTS points?	We believe that a bigger revenue driver is indicative of a requirement for more investment, which in turn would require more Substitutable Capacity as an alternative to that investment. Where there is insufficient Substitutable Capacity to satisfy all incremental capacity requirements residual investment will be required. Starting the substitution process with "big" substitution proposals and moving to smaller ones should leave a similar aggregate investment quantity to that occurring if the reverse process is adopted. Hence, where there is insufficient Substitutable Capacity, the methodology as proposed will terminate with the smallest projects. The reverse process would terminate with bigger projects. As the aggregate quantity is the same for both scenarios, one process (as proposed) ends with more small projects. The alternative ends with fewer, but bigger projects.	No change.

8 – Baseline Revision Methodology				
8.1	AEP	We note NG has not made any changes to this part of the document yet we would like to record that our comments to the informal consultation in respect of this remain unchanged. We continue to be concerned over transparency regarding spare or unallocated capacity and how this complies with EU legislation to publish technical capacity. We wait with interest publication of a methodology to determine the technical capacity by 3 March 2011.	The proposed methodology allows for capacity to be placed at notional exit points only if there is no immediate need for it at an actual exit point. It is our intention to publish quantities at notional exit points and is unsure how transparency could be increased in this respect. National Grid complies with EU legislation in this area by publishing its baseline quantities. Where capacity meeting the criteria for technical capacity is identified in excess of the baselines then such quantities will be published. Our methodology will be published consistent with EU requirements.	No change.
8.2	SSE	We note NG has not made any changes to this part of the document yet we would like to record that our comments to the informal consultation in respect of this remain unchanged. We continue to be concerned over transparency regarding spare or unallocated capacity and how this complies with EU legislation to publish technical capacity.		No change.
9 – Capacity for Sale				
9.1	SGN	This [*National Grid's proposal*] would seem to be a logical approach.	Noted.	No change.
9.2	BGT	We recognise and understand the dilemma expressed by National Grid. We continue to believe that a first-come, first-served rationale should apply so that capacity identified as potentially substitutable would not be made available for any ad hoc applications made in the October to December window. National Grid's proposal to deviate from this if there exists some form of financial commitment (e.g. for Siteworks) is not transparent although the important qualifications made in paragraph 19k of the re-drafted Methodology Statement, i.e. that the financial commitment would need to be in respect of the provision of incremental capacity or a new connection should be a requirement if National Grid's proposed approach is implemented.	We agree we the first-come, first-served rationale as outlined (i.e. substitution in response to July applications before October ad-hoc applications). We believe this is appropriate because an ad-hoc application is not a firm commitment so should not "block" substitution. However, where there has been a firm commitment then retention of capacity at the original exit point is justifiable. We recognise the lack of transparency, but given the need for confidentiality, believe we have identified the best approach overall.	No change.

		There might be some benefit in reviewing how Siteworks and capacity management can be better aligned (or provided through a bundled product) since there would be little point in an applicant paying for and working towards a connection or system reinforcement when the capacity is not then made available to him due to commercial rules.	We agree with the need to consider better alignment of capacity and connection. However, this is outside the scope of this consultation.	
9.3	AEP	We accept that there needs to be some clarity in this area but we have concerns that for ad-hoc applications submitted in October there could be a delay of up to four months before there is any clarity on available capacity to meet the ARCA request. We would seek assurance that the timescales for providing offers as detailed in the UNC will be met even during this period. We also have concerns with paragraph 19(k). This says that the financial commitment must relate to works to provide incremental capacity or a new connection. Whereas, a User Commitment can be made in respect of reserving capacity, even where no works are required. This seems to suggest that any such capacity could be substituted away?	Offers will be made in response to ad-hoc and ARCA applications according to current timetables. When preparing such offers the amount of capacity available to meet that application may be reduced until conclusion of substitution processes. This will be subject to the timing of the application and the stage of substitution analysis. We wish to distinguish between speculative and "high probability" ad-hoc and ARCA applications. Speculative applications can undermine substitution with no commitment by the applicant (the subsequent offer may be rejected). We believe that this should not be permitted. However, it would seem unreasonable that if a party had already made some financial commitment (but was still unable to commit to a capacity application) that we should substitute the capacity that the financial commitment related to.	No change.
9.4	SSE	SSE agrees that any NTS exit capacity at Exit Points in respect of which a User or Reservation Party has made a financial commitment shall not be Substitutable Capacity. However SSE does not agree that the works must be on-going at the time of the substitution analysis. It is adequate that the financial commitment has been made.	National Grid agrees with, the sentiment of this comment. However, we need to avoid excluding capacity from substitution because of a financial commitment in respect of a downstream project that is no longer progressing, or is on hold. A line needs to be drawn somewhere and the inclusion of a requirement for "works to be on-going" is intended to do this. We recognise the inflexibility of this rule and accept that it could be relaxed. However, this would introduce an element of National Grid discretion.	Amendment to paragraph 19k. The financial commitment must be in respect of works to provide incremental capacity or a new exit connection *and must be in respect of an on-going downstream project. A downstream project will be "on-going" where either the works are being undertaken at the time of the capacity application, or as determined solely by National Grid.*

9.5	SSE	SSE is supportive of the availability of capacity whilst substitutions are being considered as stated in 19(j) and 70. As such, until the Authority's decision on substitution is known capacity from potential donor points should not be offered for substitution. However SSE has some concerns that for ad-hoc applications submitted in October there could be a delay of upto four months before there is any clarity on available capacity to meet the ARCA request. SSE would seek assurance that the timescales for providing offers at detailed in the UNC will be met even during this period.	National Grid believes it is appropriate that capacity is NOT made available to ad-hoc / ARCA applications whilst the capacity may be used for substitution. This is because substitution will be made to satisfy a confirmed capacity allocation. Making the capacity available for an ad-hoc application would trigger investment for the initial application. This would not be a problem except that the ad-hoc offer may be rejected. Offers will be made in response to ad-hoc and ARCA applications according to current timetables. When preparing such offers the amount of capacity available to meet the application may be reduced until conclusion of substitution processes.	No change.
9.6	RWE	We find the drafting in the methodology slightly confusing and believe that it should be clarified. Our understanding of the intent of the provisions is to only include unsold baseline that is not covered by some form of financial commitment in the calculation of substitutable capacity available to satisfy ad hoc and ARCA requests. This approach does have merit, in that it removes the opportunity to sterilise capacity from spurious capacity applications. However, it does introduce a material delay in the application process for ad hoc and ARCA applicants. On balance, we support National Grid's proposed approach.	We welcome support for the proposed definition of Substitutable Capacity. We would like to clarify that offers made in response to ad-hoc and ARCA applications will comply with current timetables. Offers will be made on the basis of the quantity of capacity available consistent with paragraph 19j.	No change.
10 – Miscellaneous				
10.1	NGD	Previously NGGD raised a general concern with the interpretation of the Overrun/User Commitment/Flow Swapping regime. These concerns remain. It is our intention to raise them again in the future.	Noted.	No change.
10.2	AEP	Para 47and more generally. There does not seem to be a step in the Substitution Analysis that invites Users to submit notices of reduction even though UNC B 3.2.21 clearly expects the Exit Capacity Substitution Methodology to do this	We believe that UNC should refer to the ExCR as it is this document that covers the release of exit capacity. This is being considered for the next ExCR review.	No change.

10.3	BGT	It would be helpful for National Grid to clarify the point in time at which exit baselines will change following a substitution. Our understanding is that the baselines for the donor and recipient exit points will change from the day on which the substitution takes effect, not from the date on which the substitution is agreed/ confirmed with the Authority. For example, if substitution is agreed in year Y to take effect on 1 October year Y+4 then the baselines will be revised to reflect this on and from 1October year Y+4. This will help Users to identify where any annual or daily exit capacity products will be available and from when.	Your understanding is correct, and we agree that an additional point of clarification would be helpful.	New paragraph 24 added. *Where exit capacity substitution is applied the NTS baseline exit flat capacity at the donor NTS Exit Point shall be reduced by the quantity, determined in accordance with this methodology, from the date when NTS obligated incremental exit flat capacity is available for use at the recipient NTS Exit Point. In the period prior to this date the substituted capacity will be available to Users at the donor NTS Exit Point, but this will not be "enduring" capacity.*
10.4	SSE	SSE welcomes the decision to omit National Grid discretion to override the methodology. SSE believes that discretion should lie with the Authority to reject inappropriate substitution proposals as a final check against unforeseen consequences that result in inefficient substitution.	Noted.	No change.
10.5	EON	**Para. 40** "*The objective shall be to avoid incremental increase in risk*". This issue was raised repeatedly throughout the development of entry capacity substitution. It is not clear (as is also the case for entry) whether, if one substitution increases risk and one substitution reduces it, would both be made? As the methodology is drafted, it would seem that only one (de-risking) substitution would be made even if the net result is no change to NG's risk profile overall.	One of the substitution/revision objectives stated in the Licence is "avoiding material increases in the costs (including NTS exit capacity constraint management costs in respect of NTS exit capacity previously allocated) that are reasonably expected to be incurred by National Grid….". Paragraph 40 essentially restates this when explaining the role of network analysis. The paragraph explains how this will be complied with: "National Grid will not propose capacity substitution where this would result, under planning scenarios, in the capability of the NTS to meet existing obligations being reduced". Notwithstanding this, substitution will increase the risk to National Grid by increasing capacity obligations against which there is a likelihood of gas flowing whilst not increasing the overall capability of the NTS. National Grid has judged this	No change.

			increased risk to be not material. De-risking of the NTS will not occur because network analysis ensures that only the capacity reduction necessary to maintain existing obligations (e.g. pressures) is proposed.	
10.6	EdF	We support NGG NTS' proposal to use spare system capacity before substituting notional exit capacity prior to utilising un-booked baseline capacity as this will represent the most efficient use of the available capacity on the NTS.	Noted.	No change.
10.7	EdF	NGG NTS could further improve transparency by identifying where on the system spare capacity existed. This could replicate the proposal for exit capacity revision and so help to inform Shippers and developers of the most suitable connection points on the NTS.	National Grid believes that identification of "spare" capacity would be of limited benefit because capability of the NTS varies depending upon conditions and changing supply / demand patterns. Hence any data supplied could be misleading. We recognise that this process is being proposed for the baseline revision process, but this is necessary to comply with the Licence and would be a manageable annual task to record additional exit capacity created from release of entry capacity.	No change.
10.8	EdF	This methodology should apply to all enduring capacity applications including those made through the ad hoc and Advanced Reservation of Capacity Application processes. This will ensure the optimal development of the system and so limit the costs to consumers.	The methodology applies to all applications for capacity from Y+4. This would include ad-hoc and ARCA applications.	