

CadFeb19

Date

15 February 2019

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Malcolm Montgomery

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Dear Malcolm,

We welcome the opportunity to respond to the consultation on National Grid Gas's Preliminary Consultation on Capacity Methodologies and Statements. Please see below the Cadent response.

Exit Capacity Release Methodology Statement

Chapter 4: Daily NTS Exit (Flat) Capacity

There are two new paragraphs that we would like to comment on:

Paragraph 165 *"Where, in respect of any given Gas Flow Day, circumstances arise in which National Grid foresees a capacity constraint occurring at an NTS Exit Point, National Grid may withhold capacity from sale for that NTS Exit Point in the Daily auctions. The quantity withheld will be limited to that which National Grid considers necessary to avoid the constraint or to avoid increasing the extent of the constraint, and hence to avoid or limit, the cost of any actions needed to manage the constraint."*

Paragraph 166 *"Where the circumstances referred to in paragraph 170 cease to exist or become less severe, National Grid may reduce the quantity withheld accordingly."*

Since the introduction of Exit Reform in 2012, Users have been encouraged to make use of the Daily Capacity products. Cadent has made significant investment in both People and Systems to ensure we procure a good balance of both Annual and Daily commercial product.

Whilst we have no general issues over the addition of paragraphs 165 and 166, we would be concerned if the frequency with which National Grid called a capacity constraint were to increase, as in particular this would restrict our ability to make use of the Daily products.

We would also like to ensure that a System Restriction Flexibility Notice (SFRN) is issued prior to the constraint being implemented. This would allow all affected Users to make the necessary adjustments to operational systems to ensure security of supply is maintained.

Exit Capacity Substitution and Revision Methodology Statement

With reference to paragraphs 4 and 30, I would like to draw your attention to what we consider to be an anomaly in the process.

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Paragraph 4: “*This Statement sets out the methodology that applies for the substitution of Substitutable Capacity (as defined in paragraph 22) from one or more donor NTS Exit Points to meet demand for **Incremental Obligated Exit Capacity** (i.e. capacity to be made available above the prevailing level of **Obligated Exit Capacity**) at other NTS Exit Points thereby reducing the need for investment to meet that incremental demand for **Exit Capacity**. The methodology is applicable in respect of the allocation of **Enduring Annual NTS Exit (Flat) Capacity** or Technical **Interconnection Point Capacity** in response to signals received from Users through processes described in the UNC.*”

Process

Enduring Annual NTS Exit (Flat) Capacity and Technical Interconnection Point Capacity Applications

Paragraph 30: “*In accordance with the UNC and the ExCR, Users can apply for additional **Enduring Annual NTS Exit (Flat) Capacity** at the Annual Application Window (July) or via an ad-hoc application or by entering into a PARCA with National Grid¹⁷. Similarly, in accordance with the UNC and the ExCR, Users can apply for additional **Technical Interconnection Point Capacity** at an Exit IP via the IP Auctions or by entering into an IP PARCA with National Grid. Reservation Parties / Reservation Users can also reserve capacity by entering into a PARCA or an IP PARCA with National Grid. In addition, Users are able to apply for a reduction to their registered **Enduring Annual NTS Exit (Flat) Capacity** either during the Annual Application Window or in response to an ad-hoc reduction invitation from National Grid.*”

Cadent is of the opinion that an inconsistency exists between the two scenarios where substitution is required as a result of an application for additional **Enduring Annual NTS Exit (Flat) Capacity** being made during the Annual Application Window compared to when entering into a PARCA.

When done via a PARCA, a PARCA notice is issued enabling interested parties to determine if they need to secure capacity at their offtake by submitting a PARCA of their own.

When the application is made during the Annual Application Window, given that no notice is issued, potential Donor parties are at a disadvantage as they are unaware of the risk of substitution at their offtakes.

Cadent would like this apparent deficiency in the process to be addressed so that Users can be given the opportunity to respond to substitution at their offtake(s) under all circumstances.

In addition, we understand that the application for Enduring Annual NTS Exit (Flat) Capacity made through the Ad-hoc application process would not be satisfied through substitution. If this were not to be the case, then we would expect that inconsistency to be addressed as well.

The ability to respond to a substitution request is important to Cadent no matter what time in the year the application is made as we can potentially see a change in our demand profile at any time as a result of new or additional load requests.

It is for the above reasons that we believe it is important that these inconsistencies within the methodology be addressed.

This response is made on behalf of Cadent and can be published by National Grid.

If you have any further questions please do not hesitate to contact me using the details at the top of this letter.

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Yours sincerely
By email

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