

# National Gas Transmission's Consultation on the Entry Capacity Release Methodology Statement

**13 March 2023**

## About Energy UK

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology.

Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors - and supports over 700,000 jobs in every corner of the country.

The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

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Energy UK welcomes the opportunity to respond to this revised proposal for amendments to the methodology and provides some commentary on other options and wider issues.

Energy UK notes and welcomes National Gas having listened to concerns from industry and subsequently amending its proposal to focus periods of reduced capacity availability to tie in more closely with Gassco maintenance periods. However, flexibility to amend the periods of restricted capacity release is maintained if Gassco maintenance periods change. This still presents a significant intervention in the capacity arrangements, with ongoing uncertainty for parties wishing to schedule LNG deliveries and inject gas into the NTS. No insight is provided on whether Gassco maintenance plans often change or if this would be a rare event.

The regulatory regime across licence, UNC and methodology statements sets out baseline values as a single annual value with the expectation this capacity will be made available every day, with a constraint management framework for when these obligations cannot be met. Whilst we acknowledge concerns over the risk of constraints occurring and the costs of these, a balance needs to be struck between allowing the market based arrangements to work, the impact on the wholesale market, regulatory uncertainty and potential impact on investment in GB. This assessment needs to be carried out transparently, we are not aware of this being carried out nor shared with industry.

We note in particular that no consideration is provided of impacts on the wholesale gas price of flows being restricted at Milford Haven, where LNG could be setting the marginal price. Such that alternative supply to meet demand would command a higher price across the traded market.

Irrespective of the decision for this summer, it is vital that a better framework (if any) is put in place for future years, to avoid this ongoing cycle of uncertainty and short notice intervention. Assuming the other ideas<sup>1</sup> put forward cannot be progressed for this year we provide the following comments:

Releasing capacity at a value between capability and baseline – this may have merits even if the value may be somewhat arbitrary in nature, say half way between these values. It could be applied where a constraint is anticipated. It would cap the risk of constraints whilst providing some headroom for flows against bookings whilst also ensuring that flows have the potential to be maximised.

Auction timings – there is merit in further exploring these to better link them with scheduling of LNG cargoes

Applying restrictions only when problems arise or triggers are met – there would be challenges in assessing the appropriate triggers and both approaches would give rise to short notice intervention

Offer alternative capacity to Users who execute locational trades or buybacks to give them confidence they will be able to reschedule gas injections - This seems complex when the duration of the constraint is not known, its also risks the capacity and commodity regimes becoming further entwined, how should an energy locational sell give rise to capacity at a later date.

Pro-rata restrictions - if this requires the ASEP to be split, we should be mindful of experience with the Bacton IP split, with the complexities and unintended consequences that arose.

Investment to improve summer baseline capability – As baselines are currently an annual value this would need a licence change as a starting point, as the licence expects baseline to be made available all year round, and this sets shipper expectations.

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<sup>1</sup> <https://www.gasgovernance.co.uk/sites/default/files/ggf/2023-02/Milford%20Haven%20Risk%20-%20March%2023%282%29.pdf>

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