

To all interested parties,

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Dear Colleague

National Grid Transmission's Consultation on Exit Capacity Release Methodology Statement

National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS ("the Licence") sets out obligations to develop and modify the:

- Entry Capacity Release Methodology Statement ("ECR"); and
- Exit Capacity Release Methodology Statement ("ExCR");

together, the 'Capacity Release Methodology Statements' defined in Special Condition 9.18.

As part of the review process for these statements, we are obliged to consult with interested parties on the proposed changes before formally submitting to the Authority for a decision.

This letter identifies the proposed changes to the Exit Capacity Release Methodology Statement, and the reasons for them.

Drivers for change

UNC Workgroup 0705R "NTS Capacity Access Review" driven changes

One of the changes, the reduction of User Commitment period, has been extensively discussed and agreed with the industry within UNC 0705R 'NTS Capacity Access Review Workgroup'¹.

Updates related to relevant implemented UNC modifications

Wording in specific paragraphs has been changed to align with UNC Modification 0755S 'Enhancement of Exit Capacity Assignments'.

Relevant Licence changes

The National Grid Licence was amended in December 2021 in relation to aggregating Bacton (exit) Interconnection Point (IP) (and subsequent approval of UNC Modification 0785 'Application of UNC processes to an aggregate Bacton (exit) Interconnection Point'). A number of small changes have been made to reflect these new arrangements.

Furthermore, as a part of RII02 process, several licence changes have become applicable from 1st April 2021. We propose to resolve the outstanding issue from the last ExCR methodology review which was triggered by one of the Licence changes (related to the calculation of the costs of incremental capacity at Exit Interconnection Points). The details of the outstanding action are mentioned by Ofgem's in their decision letter dated 30th June 2021 ([link](#)).

General housekeeping including bringing text in line with the current practice and removal of expired transitional arrangements

¹ <https://www.gasgovernance.co.uk/0705>

This includes the amendment to the price feeding into the calculation of the PARCA User Commitment amount and the expiry of Enduring capacity at Exit Interconnection Points. Furthermore, minor additional housekeeping changes have been made throughout all the documents to improve readability and to keep the document up to date, these are outlined below:

Details of changes

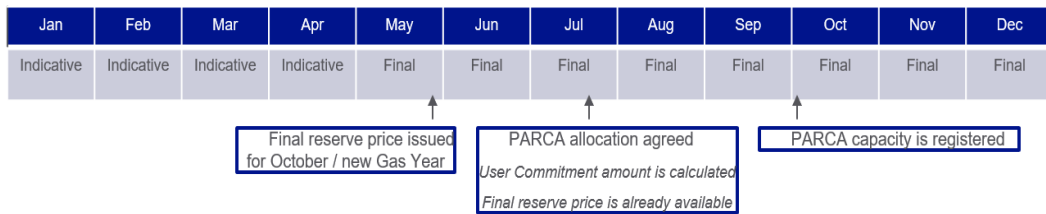
- Reduction of the User Commitment for incremental capacity from 4 years to 2 years for instances where the additional capacity is made available via substitution as per Exit Capacity Substitution Methodology Statement.
This change has been agreed within UNC Workgroup 0705R 'NTS Capacity Access Review' and it is to enable User to better align their capacity bookings to flows i.e., it will enable Users to reduce their capacity bookings earlier than currently better reflecting their current requirement.
- Addition of a new methodology used to determine the cost of incremental capacity at IPs. The CAM economic test at IPs uses the estimated increase in allowed revenue to establish the project cost. Prior to RIIO2, this estimated cost was derived from a Generic Revenue Driver Methodology (GRDM). As GRDM has been replaced with the FIOC reopener in RIIO2, National Grid have developed a new method to obtain the estimated project cost figures.

Detailed approach taken in analysis and assumptions made have been described in Appendix 3 of the methodology. In principle, the demand has gradually been increased at each of the Interconnection Points. At the same time the analysis determined how to eliminate occurring constraints (e.g., increase in pressure) by adding suitable reinforcements. The analysis covered multiple scenarios and the best reinforcement solutions were determined based on previous experience i.e. work done on other projects.

The analysis estimates the average cost of exit incremental capacity at each of the Interconnectors. The figures from the calculations will feed into the Economic Test should an incremental signal be received in the future.

- Changes related to Assignment process as an outcome of implementation of UNC Modification 0755S 'Enhancement of Exit Capacity Assignments'.
The main change in this area is related to how the User Commitment obligations change between Assignee and Assignor (depending on their User Commitment status), when the assignment process takes place. The new rule, as per UNC 0755S, dictates that User Commitment for the capacity assigned will be for the remaining period in respect of the assigned quantity only (as opposed to current rules where the User Commitment would be applied on existing entitlement plus assigned capacity).
- Change to the price feeding into the calculation of the PARCA User Commitment Amount.
According to the current rules the User Commitment Amount is based on the indicative price published two months in advance of the Annual Application Window. However, in terms of PARCAs, the principle is that the price at the time of allocation should be used to calculate the User Commitment Amount. ExCR paragraph 134 states: *the actual User Commitment will be determined at the time that the allocation is made (i.e. not at the time that capacity is reserved), hence it will use Pind calculated at the time of allocation.*

In the past there would often be 6 months in between PARCA allocation and registration. However, recent history shows that the time between PARCA capacity allocation and registration has shortened e.g., capacity for October registration could be (if agreed between National Grid and PARCA signatory) allocated in July. The final reserve prices for October are published in May and supersede the indicative price. This is demonstrated in the table below.



The change proposed is updating the methodology to be clear that in the instance of PARCA, National Grid will use either the indicative or actual price (if such has already been published) for the calculation of the final User Commitment Amount.

- Removal of references to Enduring capacity at Interconnection Points due to their expiry (as per UNC Transition Document Part V – European Interconnection Document Part VA 3.3.2)
- Minor housekeeping changes - small corrections to improve readability of the text

To assist in reviewing the proposed changes to the Exit Capacity Release Methodology Statement the following documents are available on our website (please go to 'Current Review and Consultation' folder):

A clean copy of the consultation ExCR: version 14.1

A comparison of the current version 14.0 to version 14.1

<https://www.nationalgrid.com/uk/gas-transmission/capacity/capacity-methodology-statements>.

National Grid would appreciate the comments of all interested parties on the draft changes to the capacity statements. Responses should arrive at National Grid by 17:00 on Friday 15th April 2022 and be sent by e-mail to: box.gsoconsultations@nationalgrid.com.

Responses will be placed on our website and incorporated within the consultation conclusions report. If you wish your response to be treated as confidential then please mark it clearly to that effect.

Yours sincerely

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