

To all interested parties,

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Dear Colleague

## **National Grid Transmission's Consultation on Capacity Methodology Statements**

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 9B, and the

- Entry Capacity Substitution Methodology Statement ("ECS");
- Exit Capacity Substitution and Revision Methodology Statement ("ExCS"); and
- Entry Capacity Transfer and Trade Methodology Statements ("ECTT");

together, the 'Capacity Methodology Statements' defined in Special Condition 9A.

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

This letter identifies the proposed changes, and the reasons for them. Please note there are no material changes to the ECTT.

### **Drivers for change**

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

Vast majority of the proposed changes have been discussed with the industry within UNC 0705R "NTS Capacity Access Review" Workgroup meetings.

#### Relevant UNC modifications that have been implemented

Minor wording in specific paragraphs has been made to align with UNC Modification 0678A "Amendments to Gas Transmission Charging Regime".

There haven't been any other Modifications introduced which would drive methodology changes in this review cycle.

#### RIO2 licence driven changes

As a part of RIO2 process several licence changes become applicable from 1<sup>st</sup> April 2021. We have updated the Methodologies to align them with the new Licence (i.e. removed terms which expired, updated licence references throughout etc).

Minor additional housekeeping changes have been made throughout all the documents.

## Changes

### Entry Capacity Release Methodology Statement

- Amendment to the baseline User Commitment from 16 quarters to 4 quarters for capacity requests which trigger substitution or the release of obligated funded incremental capacity. This change is an outcome of the industry feedback provided within UNC 0705R Workgroup “NTS Capacity Access Review” that the baseline capacity requirements were too onerous, could prevent access to the market and could sterilise capacity which is not required.
- Minor changes to align with UNC Modification 0678A “Amendments to Gas Transmission Charging Regime” are proposed to paragraph 51, 52, 182 and 184. The proposed wording makes these paragraphs more generic by referring to TPD Section Y for specific reserve price setting rules and removes the reference to distance as a parameter playing a role in price setting.
- Project costing – clarification with regards to what location National Grid NTS uses as a reference node in Appendix 1: Estimated Project Cost Methodology’, Model Input Data (b) (iii) Identification of a reference node. The reference node has historically been Peterborough Tee. We believe Peterborough Tee remains a pragmatic choice for the reference node, as it is a central point on the network. For transparency purposes we are now making this an explicit part of the published methodology.

### Exit Capacity Release Methodology Statement:

- Reduction of the User Commitment for capacity within baseline from 4 years to 2 years. Through UNC 0705R “NTS Capacity Access Review”. The current capacity commitment means that Users purchasing capacity through the Enduring application commit to that capacity for 4 years without having the possibility of amending the booking when demand forecasts change. This may lead to sterilising capacity, increased costs to GDNs and National Grid NTS making inefficient and uneconomic decisions based on inaccurate capacity bookings. National Grid NTS agreed to reduce the User Commitment period to 2 years for capacity bookings within baseline made through the Enduring application.

### Entry Capacity Substitution Methodology Statement

- Disconnected sites are to be prioritised in the Entry Capacity Substitution analysis. Previously these sites were only prioritised if the exchange rate was less than 1:1.

### Exit Capacity Substitution and Revision Methodology Statement:

- Disconnected sites are to be prioritised as donor sites in the Exit Capacity Substitution process – as per entry – see above.
- Additional rule to be applied to determine the quantity of the Exit Substitutable Capacity. National Grid NTS is not to consider Capacity indicated as required through the demand forecasts provided via Exit Capacity Planning processes as a Substitutable Capacity (paragraph 22).
- Change to Substitution increment size from 0.01 GWh/d (0.000923 mcm\|d) to 0.1 GWh/d. (0.00923 mcm\|d). The minimum Gemini capacity amount is 0.1 GWh/d and only state the Exchange Rate to 4 decimal places.

To assist in reviewing the proposed changes to the Capacity Methodology Statements the below listed documents are available on our website:

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

In each case please scroll down to the sections headed “Current Review and Consultation” where you will find clean copies of the methodologies we would like to consult on as well as ‘track changes’ versions to enable you to review what changes were made to the current versions of each document.

## ECR

A clean copy of the consultation ECR: version 5.1;

A comparison of the current version 5.0 to version 5.1.

ExCR

A clean copy of the consultation ExCR: version 13.1;  
A comparison of the current version 13.0 to version 13.1.

ECS

A clean copy of the consultation ECS: version 10.1; and  
A comparison of the current version 10.0 to version 10.1.

ExCS

A clean copy of the consultation ExCS: version 8.1; and  
A comparison of the current version 8.0 to version 8.1.

ECTT

A clean copy of the consultation version ECTT: version 10.1;  
A comparison of the current version 10.0 to version 10.1.

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 16<sup>th</sup> April 2021 and be sent by e-mail to: [box.gsoconsultations@nationalgrid.com](mailto: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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