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Dear Malcolm,

IUK response to National Grid's consultation on Capacity Methodologies and Statements

Thank you for the opportunity to respond to National Grid's (NG's) formal consultation on its capacity methodologies and statements published on 16 April.

As adjacent Transmission System Operators, the availability of capacity in both our systems is of the utmost importance to ensure that GB continues to comply with relevant legal regulations, safeguard security of supply and ensure barrier free cross border trade.

Outlined below are IUK's comments on the proposals. These comments are provided without prejudice to IUK's position in relation to this or any further proposed consultation, or in relation to any amendments that are adopted as a result of the consultation.

Exit Capacity Release Methodology Statement (ExCR)

It is not clear, given there is no explanation in the consultation covering letter, why NG believe it is necessary to now include references (under proposed paragraph 190) to competing auctions in the ExCR. We also note that nothing on competing auctions was included in the preliminary consultation and therefore IUK has not had a previous opportunity to review, or provide feedback on, these proposed changes. It has been four years since the implementation of the European Network Code on Capacity Allocation Mechanisms (CAM)¹. The reasons for including a reference to competing auctions at this point in time therefore needs to be explained by NG before being introduced into the statement.

We note, in any case, that at the Bacton IUK Exit Interconnection Point (IP), competing auctions would not be relevant given that NG and IUK fully maximise and match technical capacity on either side of the IP as required by the EU Security of Supply Regulation² and the CAM code, which requires maximum technical capacity to be made available to network users. Having reviewed technical capacities and available capacity at the Moffat IP from the ENTSOG Transparency Platform, we also do not see the need for competing auctions at the Moffat IP. We question therefore why NG considers it necessary to make

¹ Regulation (EU) 984/2013, subsequently repealed by Regulation (EU) 2017/459, establishing a revised network code on capacity allocation mechanisms.

² Regulation (EU) 2017/1938.

this change given the existing requirement to make available maximum technical capacity to network users at the IPs. Indeed, introducing a reference to competing auctions where allocated capacity has already been maximised at an IP (as is the case at the Bacton IUK Exit IP) may be viewed as undue preference or undue discrimination against the relevant Transmission System Operator, in contravention of NG's statutory duties.

Competing capacities were recognised as a potential issue when bundling provisions under CAM were implemented across Europe. There have, however, also been measures introduced to assess and address mismatched capacities (provided it is economic) aiming to maximise the technical capacity available for bundling at IPs. The further revision of the CAM code in 2017 concerning incremental capacity also included requirements on Transmission System Operators to take a coordinated approach at IPs in assessing demand for additional capacity. These rules aim to avoid mismatches and facilitate the offer of bundled capacity products. The rules also ensure only efficient investments signals which pass an economic test are taken forward and allocated capacity. This is why all the Transmission System Operators connected to NG will be undertaking another market demand assessment in the summer of 2019. The incremental capacity procedure is the appropriate process for addressing demand for additional capacity, which ensures that capacity is allocated where appropriate economic tests have been satisfied and that NG complies with its duty under the Gas Act 1986 and under its transporter licence to develop an efficient and economical transmission system.

We therefore do not believe it is necessary to refer to competing auctions in this statement.

The proposed changes to the ExCR to introduce competing auctions moreover are not clear and do not comply with applicable law. The text contains no clear definition of a competing auctions (consistent with the definition of competing capacities in Article 3.14 of the CAM code) and does not clarify that the available capacity at an IP includes obligated and any additional non-obligated capacity. The proposals also erroneously fail to recognise that competing auctions may only take place with the agreement of the directly involved Transmission System Operators and the national regulatory authorities (in line with the requirements of Article 8.2 of the CAM code). Furthermore, we have concerns about the transparency of the "economic criteria" that will apply to auctions: there is no explanation as what these criteria are, nor has there been any opportunity to comment on whether the criteria are appropriate.

Entry Capacity Release Methodology Statement (ECR)

We have the same comments as above with respect to the proposed text introducing competing auctions into the ECR methodology statement.

Exit Capacity Substitution and Revision Methodology Statement (ExCS)

IUK supports the continued ring fencing of IP exit capacity from substitution. This is consistent with European CAM (Article 6(1)) and the Security of Supply Regulation which require TSOs to maximise technical capacity across borders to facilitate trade and to safeguard security of supply. Therefore 651.7 GWh/d capacity should continue to be obligated to the Bacton IUK Exit IP.

If you have any questions about our response please do not hesitate to contact me.

Yours sincerely



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