

To all interested parties

13th September 2024

National Gas Transmission's Informal Consultation on Capacity Methodology Statements

Dear Colleague

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

- Entry Capacity Release Methodology Statement ("ECR");
- Exit Capacity Release Methodology Statement ("ExCR");
- Entry Capacity Substitution Methodology Statement ("ECS");
- The Exit Capacity Substitution and Revision Methodology Statements (combined as one statement, the "ExCS"); and
- The Entry Capacity Transfer and Trade Methodology Statements (combined as one statement, the "ECTT").

together, the 'Capacity Methodology Statements' defined in Special Condition 9.17 and 9.18.

Informal Consultation

This review process relates to all of the above statements. As part of the review process, we are consulting with interested parties on the proposed changes informally at this stage before conducting a formal consultation, as required by our Licence obligations and submitting to the Authority for a decision.

This letter identifies the proposed changes to the statements, and the reasons for them as part of this current review cycle.

This informal consultation is open to industry for a period of 3 weeks, starting on 13th September and closing on 4th October 2024.

Scope

The scope of changes required to all of the above statements following a review by National Gas, were not viewed as having a material impact upon the intent, and so a derogation from the requirement for an independent examiner under Special Condition 9.17.11(d) and 9.18.11(d) was sought, as per Special Condition 9.18.16. This request was granted by the authority. This approval was based on a phased approach. The details of the authority's decision can be found at:

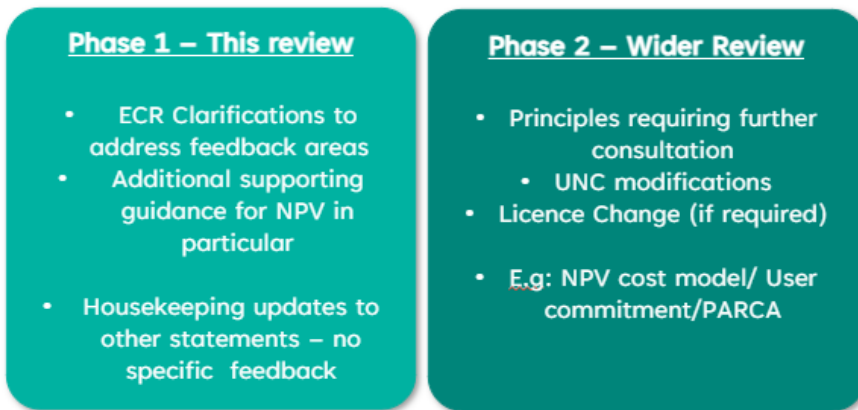
[Decision on derogation request from NGT on the Capacity Methodology Statements | Ofgem](#)

Drivers for change:

The drivers for change identified for each Capacity Methodology Statement are described below.

Entry Capacity Release Methodology Statement (“ECR”);

Since the last review of the ECR we have received feedback relating to the Net Present Value (NPV) test in particular, from the experience of using this for a Funded Incremental Obligated Capacity project. In addition to this we have received feedback relating to the commitment required in reserving capacity on the NTS. As a result, we have analysed this feedback and considered the options available to address this, along with the materiality of these. This has developed into a proposed 2 phase approach. This is to allow the required time for a thorough review and consultation on the principles and any resulting UNC modifications and changes to our licence which may be necessary.



As a result, this review will provide clarifications to the existing process which have been identified during the experience of using the NPV test, without changing the fundamental principles at this stage.

Exit Capacity Release Methodology Statement (“ExCR”);

The ExCR was reviewed and published in June 2024 following housekeeping updates. National Gas undertook to conduct a thorough review as part of this review cycle, alongside the ECR and other statements. In reviewing the ECR feedback described above, it was concluded that no clarification changes required to the ECR were relevant to the ExCR and as no direct further feedback had been received on the ExCR only housekeeping updates were required at this time.

In the next review cycle the more fundamental consideration will be taken into account in line with the ECR feedback.

Entry Capacity Substitution Methodology Statement (“ECS”);

No specific feedback was received regarding the ECS. Entry Capacity substitution has been rarely used. In this review only housekeeping updates have been made as follows..

Exit Capacity Substitution and Revision Methodology Statements (combined as one statement, the “ExCS”);

No specific feedback was received regarding the ExCS. Entry substitution has been rarely used since the last review. In this review only housekeeping updates have been made as follows..

Entry Capacity Transfer and Trade Methodology Statements (combined as one statement, the “ECTT”).

No specific feedback was received regarding the ECTT. Entry Capacity Trade and Transfer has been rarely used. In this review only housekeeping updates have been made as follows..

Details of changes:

The specific details of the changes for each statement are provided in the change tables alongside this notice.

In addition, throughout the documents the opportunity has been taken to also update the following.

- National Gas Website references/links
References and links to the National Gas website have been updated to reflect the updated links as a result of our refreshed website which went live on 15th August 2024.
- General housekeeping
The opportunity taken for the removal of typographical errors found or improvement to readability of the documents.

Future Review

As described above, National Gas will review the Capacity Methodology Statements again in order to address the more fundamental feedback received in relation to ECR specifically.

The output of this review is expected to address some fundamental principles which are likely to be material in nature. As such National Gas will propose a timeline for full industry consultation in order to accommodate any necessary resulting UNC and/or Licence changes. We expect that we will commence this in parallel with this review to fully utilise the full timescale available in the next review cycle as directed by Ofgem to complete this by April 2026.

This will provide the opportunity to present options and gather further industry views which we believe is necessary.

Informal Consultation response

The Methodology statements can be found on our website:
[Capacity methodology statements | National Gas](#)

To assist in reviewing the proposed changes to the Methodology Statements the following documents are available on our website (please go to '2024 Annual Review folder):

A clean copy each statement

A track changes copy of each statement

A table of changes for each statement

National Gas would appreciate the comments of all interested parties on the draft changes to the capacity statements. Responses should arrive at National Gas by 17:00 on 4th October 2024 and be sent by e-mail to: box.gsoconsultations@nationalgas.com

Any responses will be reviewed and used to inform the development of the statements and will not be considered as a formal response at this stage. All informal responses will be published unless marked as confidential, in which case will not be published.

A further formal review will be held aligned to our licence obligations ahead of the submission to Ofgem for approval. This is scheduled for November 2024.

If you have anything you would like to discuss regarding this consultation, please contact:

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