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Our Ref: 2016 - Knottingley - PARCA

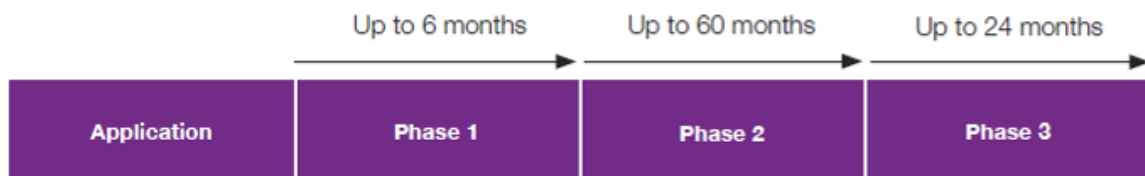
Dear Industry Colleagues,

Knottingley PARCA ExCS Informal Notice (including Exit Substitution & Baseline Revision)

National Grid Gas plc (“National Grid”) received a Planning and Advanced Reservation of Capacity Agreement (PARCA) application on 19th May, 2016. The application achieved Competency¹ on 31st May, 2016. The application requested firm Enduring Annual NTS Exit (Flat) Capacity² in excess of the prevailing baseline capacity level at the proposed Knottingley offtake (in respect of Knottingley power station). The application requested up to:

- 71,183,770 kWh/d from 01st October, 2019

The PARCA application triggered Phase 1 of the PARCA process on 31st May, 2016.



As part of the Phase 1 works, National Grid completed network analysis to identify the most appropriate and robust solution to accommodate the Exit capacity being requested. The Phase 1 process identified that the Exit capacity request could be met by;

- Reserving **non-obligated exit capacity** up to the indicated value from 1st October, 2019 to 30th September, 2020.
- Reserving exit capacity at Knottingley via the substitution of unsold exit capacity from Pannal, Burley Bank, Keadby Blackstart and West Burton exit points in the vicinity of Knottingley from 1st October, 2020

The Exit capacity will be available for reservation from 30th November, 2016.

¹ As per Uniform Network Code, Transportation Principal Document, Section B – System Use and Capacity, para. 1.15.4.

² Please note that this notice contains terminology relating to Exit Capacity which is used in the Licence and in the Uniform Network Code (“UNC”). Licence defined capacity terms are given in **bold italics**.

The Exit capacity must be allocated to a nominated User on 1st April 2019. Substitutable capacity is subject to capacity being allocated to a nominated User. The capacity will be registered, as requested by the PARCA Applicant, from 1st October, 2019. As a developer, The PARCA Applicant will identify a shipper prior to allocation.

This informal notice signifies the end of PARCA Phase 1 and is the first opportunity for industry parties to raise any concerns around the method to meet the additional capacity request in this location.

If the Exit capacity is not allocated to a nominated User by 1st April, 2019 National Grid has the right to terminate the PARCA. If the PARCA is terminated then the proposed solution will not be progressed. Ofgem and other NTS users will be notified of allocation or termination with non-allocation.

Application for Exit Capacity Release

Substitution of Unsold Exit Capacity from 1st October, 2020

As part of the PARCA Phase 1 works National Grid completed network analysis to assess what impact the Exit capacity had on the existing network.

In accordance with the Licence³, substitution⁴ of **Non-incremental Obligated Exit Capacity** has been assessed and identified as being able to meet the Firm Enduring Annual NTS Exit (Flat) Capacity requirements in excess of the prevailing baseline NTS Exit Capacity at the Knottingley NTS Exit Point in full.

National Grid therefore proposes that from 1st October, 2020;

- all of the additional Baseline NTS Exit Capacity identified at the Knottingley exit point can be met by substituting unsold NTS Baseline Exit Capacity from Pannal, Burley Bank, Keadby Blackstart and West Burton NTS Exit Points (See table below).

Statement of proposed Non-incremental Exit Capacity substitution in accordance with Special Condition 5G paragraph 6 (formerly paragraph 4(a)(iv) of Special Condition C8E) of the Licence:

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient : Donor)	Substitution effective date
Knottingley	Pannal	20,849,848	20,738,033	1:1.0054	01/10/2020
	Burley Bank	5,856,857	5,826,492	1:1.0052	01/10/2020
	Goole Glass	1,620,000	1,631,067	1:0.9932	01/10/2020
	Keadby Blackstart	922,785	930,258	1:0.9920	01/10/2020
	West Burton	43,534,158	42,057,920	1:1.0351	01/10/2020
	Total	72,783,608	71,183,770	1:1.0225	01/10/2020

³ Special Condition 5G (formerly paragraph 3(c)(i) of Special Condition C8E).

⁴ During October 2015, the Authority approved the Exit Capacity Substitution and Revision Methodology Statement (the "Methodology") pursuant to Special Condition 9A.

Baseline Modification Proposal:

NTS Exit Point	Type	Recipient /Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (kWh/d)
Knottingley	DC	Recipient	0	71,183,770	0
Pannal	DN	Donor	148,410,000	127,560,152	0
Burley Bank	DN	Donor	20,310,000	14,453,143	0
Goole Glass	DC	Donor	1,620,000	0	0
Keadby Blackstart	DC	Donor	2,380,000	1,457,215	0
West Burton	DC	Donor	66,000,000	22,465,842	22,465,842

Appendix 1 provides additional information regarding the proposal to demonstrate that National Grid has determined its proposals for Exit capacity substitution in accordance with the Methodology.

Substitution is subject to the capacity being allocated to a nominated User on 1st April, 2019 and the PARCA following through to completion. If for any reason the capacity is not allocated or the PARCA is terminated then substitution will not be required.

Interaction with Keadby 2

The Knottingley application was received during the PARCA window opened by Keadby 2 power station’s application. Keadby 2 requested up to 42,518,400 kWh/d from 1st April, 2019. Network analysis determined that from 1st April 2019 to 30th September 2020 we could reserve non-obligated capacity for Keadby 2, and reserve obligated capacity via substitution from 1st October 2020.

As Keadby 2 and Knottingley are requesting capacity around the same time, and are both in the same region of the NTS, we have carried out further network analysis, to determine how we could accommodate the combined requirements of the two power stations. Thus should both power stations’ proposals go ahead, we will;

- Reserve **non-obligated exit capacity** for Keadby power station up to the indicated value from 1st April, 2019 to 30th September, 2020.
- Reserve **non-obligated exit capacity** for Knottingley power station up to the indicated value from 1st October, 2019 to 30th September, 2020.
- And from 1st October, 2020, reserve exit capacity at both Keadby and Knottingley via a combined substitution of unsold exit capacity from Keadby Blackstart, West Burton, Pannal, Burley Bank, Goole Glass, Ganstead and Towton exit point(s). This substitution is summarised in the following table:

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient : Donor)	Total Capacity Received (kWh/d)	Substitution effective date
Keadby2	Keadby Blackstart	922,785	922,785	1:1.0000	42,518,400	01/10/2020
	West Burton	41,612,217	41,595,615	1:1.0004		
Knottingley	Pannal	20,849,848	20,739,983	1:1.0053	71,183,770	
	Burley Bank	5,856,857	5,826,058	1:1.0053		
	Goole Glass	1,620,000	1,633,233	1:0.9919		
	West Burton	24,387,783	24,458,742	1:0.9971		
	Ganstead	6,285,989	6,291,350	1:0.9991		
	Towton	13,866,450	12,234,404	1:1.1334		

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient : Donor)	Total Capacity Received (kWh/d)	Substitution effective date
	Total	115,401,929	113,702,170	1:1.0149	113,702,170	

The baseline proposal after the combined substitution would be as in the following table:

NTS Exit Points	Type	Recipient / Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)
Keadby2	DC	Recipient	0	42,518,400
Knottingley	DC	Recipient	0	71,183,770
Keadby Blackstart	DC	Donor	2,380,000	1,457,215
West Burton	DC	Donor	66,000,000	0
Pannal	DN	Donor	148,410,000	127,560,152
Burley Bank	DN	Donor	20,310,000	14,453,143
Goole Glass	DC	Donor	1,620,000	0
Ganstead	DN	Donor	23,150,000	16,864,011
Towton	DN	Donor	80,730,000	66,863,550

This substitution proposal addresses the scenarios where the PARCA for Knottingley is signed after or at the same time as that for Keadby. Should the PARCA for Knottingley be signed first then the substitution proposal for Keadby would need to be revised prior to capacity being reserved.

I would therefore be grateful if you could acknowledge receipt of this written proposal and the date on which it was received.

If you require any further information, please contact myself or Jon Dutton, Gas Network Capability Manager on 01926 655 048.

Yours sincerely,

Craig Dyke
Gas Network Development Manager
Network Capability and Operations, Gas
National Grid