

# Capacity Baselines

Monday 7<sup>th</sup> October 2019

national**grid**



# Who we are...



**Jenny  
Phillips**

Gas System Operator  
RIIO2 Manager



**Jenny  
Pemberton**

RIIO 2 Stakeholder  
Engagement Manager

# Logistics

Should last for approximately an hour

We will open the webinar up to questions

Your questions are also welcomed via chat function

The webinar is being recorded

Slides will be circulated after the call

# Quick Poll – Getting to know you

1. Please tell us your name

2. Which of the following best describes you / your organisation?

3. On a scale of A to E, where A is know nothing and E is know a great deal, how much would you say you know about National Grid Gas Transmission's operational activities?

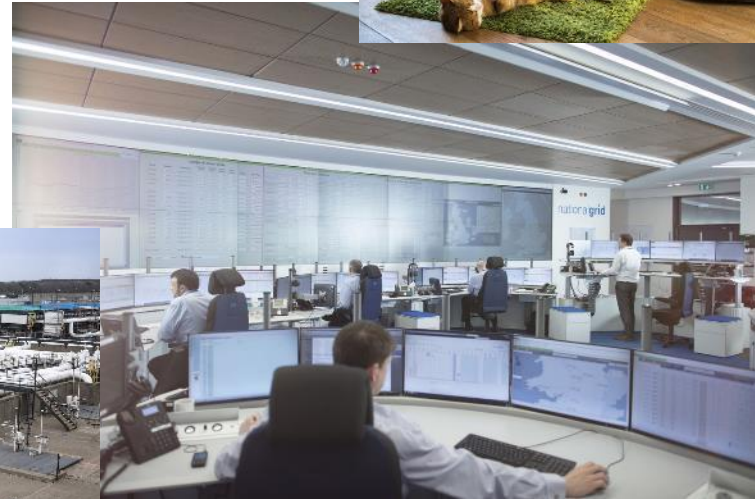
- A. Know nothing
- B.
- C.
- D.
- E. Know a great deal

## Ofgem set out their requirements for NGG to produce a “Baseline Obligated Capacities Report”

*“ ...Setting out the results of its assessment of the appropriateness of the current levels of baseline obligated entry and exit capacities including any proposals for revisions to baseline capacities, and was to be developed with extensive stakeholder consultation ”*

# Purpose of webinar

*To update you on the current status of our assessment of whether there is the potential to reduce capacity baselines as part of our RIIO-2 business plan proposals*



# Capacity Baselines – what are they?

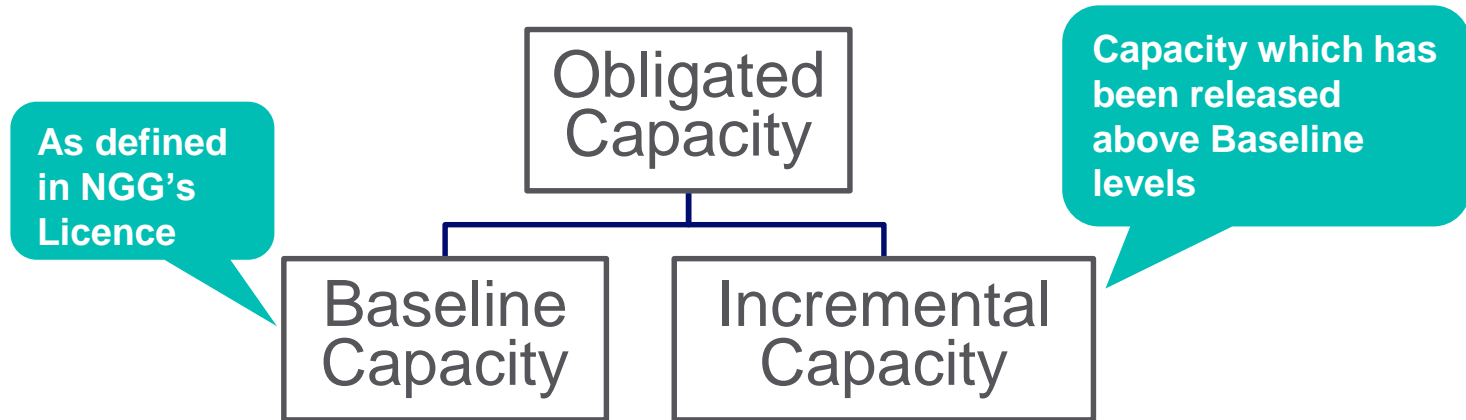
A Licence obligation which sets out what level of firm capacity we must release at each entry and exit point for each gas day

Set at a high level that cannot necessarily be met 365 days of year

Should closely reflect the maximum physical capability of the point under peak conditions

# Obligated Entry / Exit Capacity

Each Entry ASEP has a level of Obligated Entry Capacity and each Exit point has a Obligated Exit (Flat) Capacity



NGG can also sell Non-Obligated Entry and Exit Capacity at its own discretion.



# What we've heard



Reducing capacity baselines removes the option of substitution

We need to think of a way of dealing with capacity at decommissioned sites

You should explore zonal baselines

We want you to make it easier to access the physical capability that already exists within the pipeline network



Investment plans may not be economic & efficient if based on baselines that are too high.

Want to understand the cost benefit of reducing capacity baselines

If capacity baselines exceed physical capability, and the capacity has been sold up to the baseline, constraint costs will be higher than they should be.



If you reduce baselines, there's an increased risk of not getting capacity where flow is wanted; this leads to perceived scarcity and an increase in prices

The charging review will change the way shippers book capacity (whatever the outcome)

# NTS Access Capacity Review

– proposed at Transmission Working Group on 3rd October

NGG has raised a Review proposal at Transmission Workgroup in response to feedback received on challenges with accessing capacity.

“

*To review the principles and establish long-term strategy for the NTS capacity access regime. Ensuring the regime is appropriate for commercial behaviours experienced today, simplified and adaptable whilst being consistent with relevant obligations. To make recommendations for change and addressing short-term problems in accordance with the long-term ambition.*

”

Gas System  
Operator

# Exit Capacity

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# Exit capacity obligations

	Baseline capacity (mscm/d)	Winter peak flow (mscm/d)
DN	501	370
Interconnectors	109	33
Storage	99	0
Power Stations	179	118
Industrial	19	6
Total	907	528

# Discussion

## Impact of reductions in baselines at sites where peak flow/bookings are less than baseline obligation?

- No changes to physical assets for December business plan
- No cost benefit at this stage
- Transmission Working Group process will look at how to best access existing capacity
- Reducing capacity baselines at this point may reduce future flexibility

*Limited case to reduce baselines on exit at this stage.*

***Do you have any further thoughts on this?***

Gas System  
Operator

# Entry Capacity

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# Bacton, Grain, Milford Haven

Baseline vs physical capability

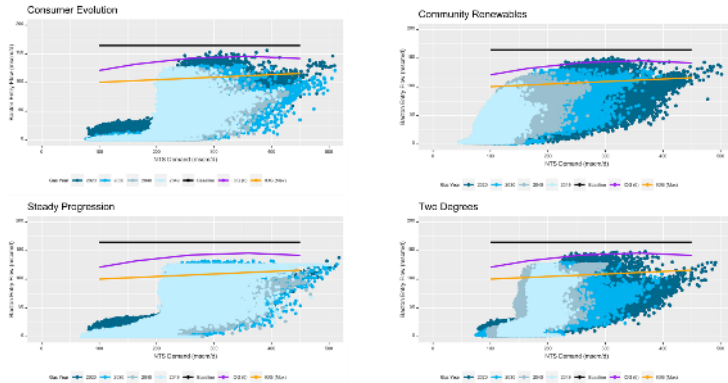
Physical capability vs stakeholder flows

Capacity baseline broadly reflective of peak physical capability

Physical capability (not just peak) reflective of forecast stakeholder flows

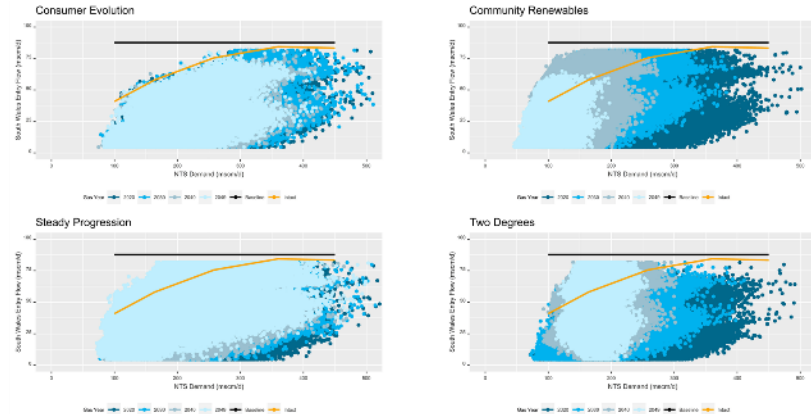
## Bacton Entry Capability Plots

High Continent



## South Wales Entry Capability Plots

High LNG



**Limited case to change baselines at Bacton, Isle of Grain or Milford Haven at this point – any views?**

# Easington, Barrow, Teesside

Forecast flows less than capacity baselines

Teesside & Barrow both have pipelines which are required to facilitate any entry flows

We can still deliver flows up to capacity baselines

Reducing baseline capacity will have no immediate impact on assets deeper into the NTS; we still need them to transport gas around the NTS

Reducing baseline capacity will remove the ability to substitute

*Limited case to change baselines at Easington, Barrow or Teesside at this point – any views?*



# Theddlethorpe

- Capacity baseline is 55mcm
- Site has closed
- Capacity is delivered by two dedicated pipes from Theddlethorpe to Hatton
- Some interest expressed by potential future customers
- Business Plan proposes keeping pipes purged to nitrogen, demolishing existing terminal and replacing with new manifold to facilitate future connections if required.



## Current thoughts

- Reduce the baseline to zero
- Investigate how to make it easy for new connectees to access the capacity (Dormant Capacity?)

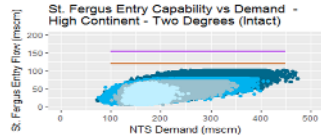
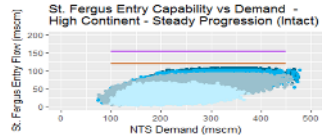
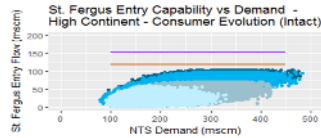
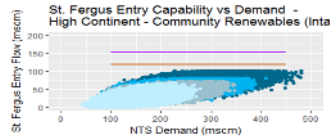
# St Fergus

## Baseline vs physical capability

Capacity baseline (154mcmd) exceeds peak physical capability (approx. 125mcmd)

## Physical capability vs stakeholder flows

Physical capability (not just peak) reflective of forecast stakeholder flows (peak approx. 120mcmd)



If baseline capacity should reflect physical capability, we should propose a reduction in the capacity baseline

Previous feedback to this suggestion has been nervousness about potential reductions in this baseline obligation due to potential scarcity of capacity & impact on prices

If it remains at 154mcmd, it may cause us to keep assets open for longer where otherwise we could decommission

*A reduction to 140mcmd may be a balanced position – any views?*

# Next Steps

We will consider the feedback from this webinar

Another webinar next week – we will play back our direction of travel

Please get in touch directly if you wish to discuss further

# QUESTIONS



# Upcoming Webinars

**Network capability baseline capacity review**

**14<sup>th</sup> October**

**Incentives: Our proposals for RII0-2**

**8<sup>th</sup> October**

**Understanding the capability of the network in an uncertain world**

**16<sup>th</sup> October**

To register, please contact  
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Thank You

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