

Gas
Transmission

Access Review

12th March 2019

nationalgrid



Who are we?



**Malcolm
Montgomery**

Senior Code Change
Lead



Jenny Pemberton

Stakeholder Engagement
Manager

We will cover

Context – Access arrangements

Survey playback

Identified topics - our initial thinking

Next Steps

Logistics



Should last for approximately an 45 mins



Polling via Webex



Your questions are welcomed throughout via chat function



All callers will be placed on mute

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

Access Review context



Arrangements for accessing unsold capacity

- As part of RIIO, Ofgem are considering asking us to prepare

'a report on revised arrangements for accessing unsold capacities on entry and exit'

We are also looking at:

- Network capability assessment outputs;
- Network capability target outputs;
- Revised baseline obligated capacities.

Independent of any RIIO ask, there is merit in reviewing arrangements in any case

Survey playback



You said:

Access Arrangements are a concern and could benefit from a holistic review (inc charging)

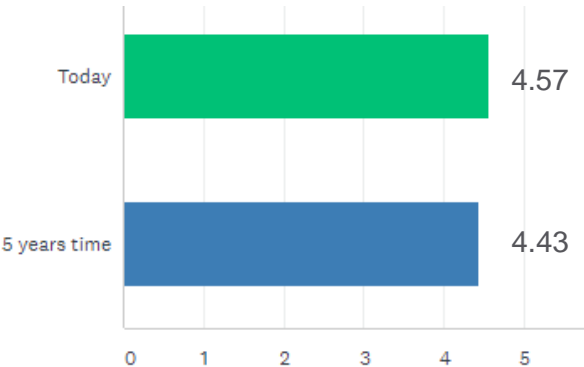
2 x Entry customers

1 x Shipper

3 x Network operator

1 x consultant

How concerned are you or those you represent about getting the access you need to the NTS?



86% prioritise
14% yes, but not a priority

Review

- Sold capacity being moved
- efficient provision of NTS flexibility
- User commitment
- Simplify the regime and commercial framework
- Pooling unsold capacity

Improved Understanding

- Uncertainty around benefit of zoning unsold capacity
- Reasons for current rules

Quick poll

Have we captured your concerns?

Yes

Somewhat

No

Please explain your answer

Zonal arrangements



Zonal arrangements

“Whether the current nodal arrangements for capacity substitution are fit for purpose. It may be that arrangements for access to unsold should pool the unsold capacities of entry and/or exit points within ‘zones’. This would allow the pooled unsold capacity to be sold as a different product and would provide greater flexibility in the capabilities of the network to better meet future consumer needs.”

0671 - New Capacity Exchange process at NTS exit points for capacity below baseline

Ofgem RIIO T2
Consultation – Dec 18

UNC modification
proposal 671

Current mechanisms for moving capacity

- **Current mechanisms:**
 - Entry and Exit Capacity **Substitution**.
 - **Trade** and **Transfer** (Entry Capacity only).
- **Two guiding principles:**
 - movement of capacity is compatible with the capability of the NTS.
 - no (material) increase in costs
- **'Real' exchange rate determined**

Zoning – Potential benefits

Unsold: more streamlined process for accessing NTS capacity from other points

“it would allow us to purchase capacity which we would otherwise not purchase”

“this would address some concerns see WWU UNC mod 671”

Sold: Increased optionality for Users

Can we further streamline existing nodal arrangements instead?

Zoning – Potential issues to consider

1. Assuming 1:1 exchange rate may not be physically reflective of the capability of NTS
2. Short and long term NTS planning may be more difficult, potentially leading to cost increases
 - These could be mitigated by:
 - smaller zones
 - reduce baselines to zonal capability
 - exchange rates are > 1:1
3. Charging considerations
4. Implementation Costs

“could also introduce risks to areas of operations”

“Data, hassle, massive code change”

User commitment



User Commitment

Original rationale

- Helps NG efficiently plan the network as it gives NG market information that is financially underpinned. The development of the network is market led.
- Allocates some risk of inefficient booking with the User, rather than all with NG/consumers.

“The current user commitment arrangements are not well understood...”

“...needs a full review...”

Challenges if rules are to change?

- Are there other options for NG to get reliable market information?
- Where does the risk sit for bookings that are changed? Is there a cost? NPV test?
- In return for NG getting a firm User commitment signal, Users get a firm financial product. If User commitment is weakened, then should we also weaken the ‘firmness’ of the capacity?

“could change behavior...encourage some users to apply for and secure capacity above their requirements to ensure it is not allocated elsewhere”

NTS Exit Flex Capacity



NTS Exit Flex Capacity

Is Flex a scarce resource. If yes...

- **What are the right mechanisms to:**
 - allow the market to value it?
 - allow NG to efficiently allocate it?
 - allow the market to signal 'Incremental Flex'?

How is 'incremental' Flex provided

- Funding mechanism?
- Does NG contract for balancing services?

Recognition that access to the NTS is achieved both through Flat and Flexibility capacity..."

"a flex incentive would encourage more efficient use of the NTS"

"Within-day swing providers could access the market negating the need for...investment"

Wider topics



Wider topics

Simplify regime

“They are not suitable for small loads and need simplifying to be commensurate with impacts”

Frameworks & Governance

“Access arrangements are currently documented across a number of different UNC and methodology documents”

Capacity Products

conditional products (e.g. temperature dependent)

Capacity auctions & applications ok?

“temperature dependent capacity as exists in Germany and in France is a good way for the network to provide additional capacity (e.g. at storage connection points) where and when the gas system needs it, without having to invest in new pipelines”

Quick poll

How should industry progress these topics?

Transmission
Working Group

GMAP process

RIIO

Other

If other, please specify

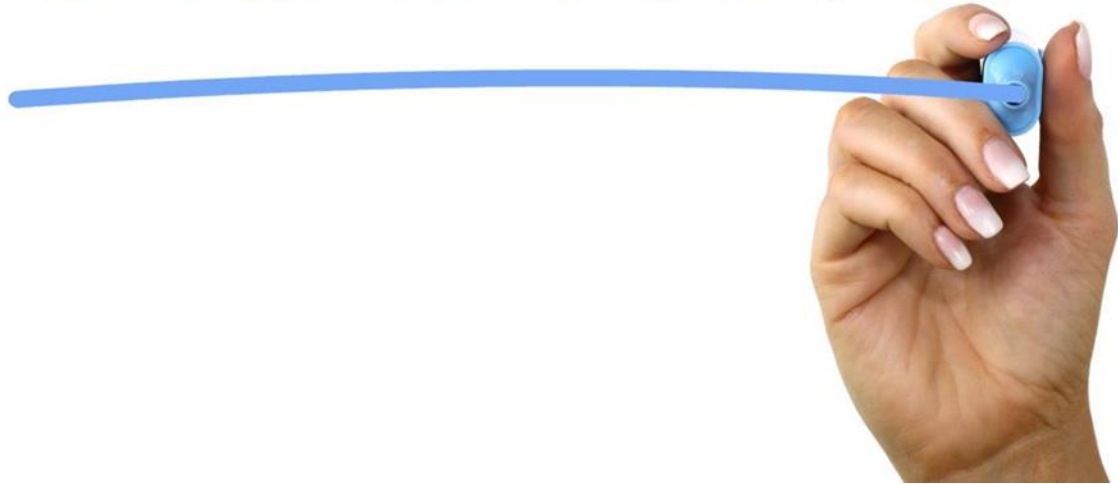
Next Steps



Next steps...

- **Ofgem consultation:**
 - 14th March – Ofgem Sector Specific Consultation closes
 - 31st May – Sector Specific Decisions
- **We're in the middle of change processes right now:**
 - Methodology Review
 - Industry modifications
- **2019**
 - **Scope**
 - Further define and clarify the problem
 - **Prioritise**
 - Identify and implement quick wins
 - Identify the consumer benefit
 - This needs to be done in context of the Market Change Plan
 - We anticipate giving a further update after **31st May**

QUESTIONS





Thank You

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