



## **National Grid Gas NTS Exit Capacity Release Methodology Statement Consultation AEP<sup>1</sup> Comments**

The Association welcomes the opportunity to comment on this annual review of the ExCR Methodology Statement and supplementary issues.

The Association have reviewed the proposed amendments to the Statement and accepts that many of the changes are minor in nature. Where we have specific comments these are listed against the relevant paragraph number below.

### General Section

Para 11. We do not accept that it is necessary to have an Exit Point specified in the Licence before capacity products can be secured, nor is it Ofgem's view that this is required by the licence<sup>2</sup>. This potentially extends project lead-times and leads to inefficiencies of process. We do accept that NG needs to be aware of the potential for a new connection prior to 1<sup>st</sup> June so it can be included in the invitation for the July Application Window.

Para 16 This is unnecessary

### Transitional Exit Period

Para 14 Given the statement at paragraph 11 that any additional capacity registered in the Transitional Exit Period will not roll over into the Enduring Period (unless subject to an ARCA) it is not clear why the network modelling needs to take account of Enduring capacity holdings

Para 22 & 33 Parties are also entitled to refer disputes to Ofgem subject to EU Regulations as transposed into UK law by the Gas and Electricity (Dispute Resolution)

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<sup>1</sup>The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95 per cent of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies.

<sup>2</sup>

<http://www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/offrev/Documents1/Consult%20on%20licence%20changes%20090303.pdf>

Regulations SI 2009 No 1349 which amended the Gas Act. It would seem appropriate to reference this here.

Para 40 We do not accept that it is necessary for a revenue driver to be in the Licence before signature of an ARCA, nor that National Grid should have discretion in this respect, This bullet point should be deleted. See comments against para 11 above. The establishment of a revenue driver is a process that takes place between National Grid and Ofgem. Connecting parties have little influence over this and could have to delay planned investments if this were adhered to; its inclusion in the ExCR simply creates uncertainty and increases the likelihood of disputes.

#### Enduring Exit Period

Para 33&34 These are helpful in providing clarity, but are in effect introducing new rules which we believe, along with all other aspects of User Commitment, should be in the UNC document.

Para 37 As comments above we do not believe that a revenue driver needs to be in place before NG commits to releasing capacity. In any case User Applications via UNC processes have timescales determined by the UNC and it would be discriminatory if NG were to consider treating applications from Users or non-Users differently in this respect.

Para 57 We think it is inappropriate to introduce new defined terms such as Relevant Design Costs into the ExCR which are not in the UNC. Any clarification of costs payable in such circumstances should more properly be progressed via a UNC modification. In any case of conflict the UNC takes precedence over the ExCR. It may be that this definition is broadly similar to that defined in the UNC B3.3.7(b) but the definition in the UNC only refers to design costs incurred rather than those committed.

Para 62 It would be helpful if generic versions of the two ARCA types were made available.

Para 74 We consider this principle is helpful, but refer to comments above regarding Relevant Design Costs

Para 78 We accept connection works may be necessary in association with reduction requests but would like further explanation of the circumstances where NG may curtail flows if it has not undertaken the connection works in time, as noted in footnote 23.

Para 88 The principle here is that the User Commitment amount is reduced if charges paid in the previous period exceed the User Commitment due when calculated on a daily basis. However there is a double negative which may not achieve this effect. The definition of Charges actual should make it clear that this relates daily charges rather than the aggregate amount as in paragraph 84.

Para 99 We understand how timing differences may allow entitlements to be negative, but this seems to say that Registered Capacity cannot be negative. Therefore could NG please explain how a User may be liable for overrun charges.

### Supplementary Issues

The Association considers that the ExCR duplicates substantial sections of the UNC B3 and on occasion seeks to establish commercial parameters and new defined terms, whilst remaining outside of the UNC governance processes. We note that the four year User Commitment, an important feature of Exit Reform, does not appear in the UNC and is only defined in the ExCR. Similarly the arbitrary 20Mth p.a. threshold for incremental capacity before NG will consider an ARCA is only specified in the ExCR and has on occasion caused problems in securing increments below this threshold. It has also been the case and will continue to be the case, if this is not addressed, that parties have to raise a UNC Modification Proposal to prompt a change to terms or processes which are detailed in the ExCR. We consider this indirect process is inappropriate and inefficient

We appreciate that the preparation and maintenance of the ExCR is a licence requirement and at the time of DN sales when the IExCR was introduced was necessary to understand how exit capacity would be released in a non-discriminatory manner. However as we now approach the Enduring Period we consider there is scope for considerable simplification of the ExCR or for it to be re-scoped. We consider there would be merit in placing any essential terms or clarifications of the exit capacity release process in the UNC itself, ensuring all parameters and information for User applications is available in one place and subject to UNC governance. However it would be useful to have a user-friendly guide to the applications processes for both Users and Non-Users; this could cross reference relevant parts of the UNC or NG's licence as appropriate but would not have the same standing as the current ExCR Methodology Statement. We consider it would be timely to consider this as part of the next transmission price control review and would be consistent with better regulation principles by avoiding inefficient duplication and simplification of regulation.

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