



**Review of the
NTS Exit Capacity Release
Methodology Statement
in respect of the
Transitional and Enduring Exit Periods.
Consultation Conclusions Report**

30th March 2012

Executive Summary

Introduction

Special Condition C18 of National Grid's ("NG NTS") Gas Transporter Licence in respect of the NTS (the "Licence") sets out obligations to prepare and submit for approval by the Authority an NTS Exit Capacity Release (ExCR) Methodology Statement setting out the methodology by which NG NTS will determine whether to release NTS Exit Capacity to gas shippers or DN operators. In addition, NG NTS is obliged to review the statement on an annual basis in consultation with gas shippers and other interested persons.

The Authority ("the Gas and Electricity Market Authority") decision to implement UNC modification proposal 195AV "Introduction of Enduring NTS Exit Capacity Arrangements" introduces reform of NTS offtake arrangements. The timing of the introduction of these new arrangements creates two phases for release of NTS Exit Capacity:

- The "Transitional Exit Period" for capacity reserved or allocated to Users commencing no later than 30th September 2012; and
- The "Enduring Exit Period" in respect of capacity reserved or allocated commencing no earlier than 1st October 2012.

On 24nd February 2012 NG NTS initiated its consultation as part of the annual review of the ExCR. The principle changes proposed to the existing ExCR (version 7.0) were:

General Introduction

- 1) Paragraph 18: Reference to NTS exit capacity baseline statement updated to reflect introduction of exit capacity substitution. See also Part B paragraph 21.

Part A (Transitional Exit Period)

- 2) Substantial sections of Part A have been deleted as the Transitional Exit Period will end shortly after the proposed ExCR comes into effect (if approved).

Part B (Enduring Exit Period)

- 3) Paragraph 14: Updated following approval of National Grid's Exit Capacity Substitution and Revision Methodology Statement ("ExCS") and the application of processes defined in the methodology.
- 4) Paragraph 21: updated guidance and link to the NTS exit capacity baseline statement.
- 5) Paragraphs 44, 47 and 50: UNC Modification 0376 will change some of the criteria for release of Enduring Annual Exit (Flat) Capacity. The changes are subject to IT systems changes with the implementation date currently unknown. Footnotes have been added to recognise the future changes.
- 6) Paragraph 59: clarified such that, where the capacity release date is delayed due to demonstration information not being provided by the Demonstration Date, the User Commitment Amount will be recalculated based on the latest indicative price for the revised capacity release date. This may be an increase or decrease depending upon movements in capacity charges. This revision to the User Commitment Amount ensures consistency with phased capacity releases and has also been incorporated in the terms of the generic (works) ARCA.
- 7) Paragraph 70: amended to inform that deemed application processes have been removed by implementation of UNC Modification 0381. National Grid anticipates removing this section completely in the next revision to the ExCR.
- 8) Paragraph 71: reference to "negative entitlement" removed as this is not a defined term.
- 9) Paragraph 80: expanded to provide greater detail of the process to be followed in the event of competing reduction requests.

- 10) Several references to National Grid having “sole discretion” over decision making have been deleted. A small number have been retained where a decision will be based on a risk/reward assessment by National Grid (e.g. non-obligated capacity release) or as a final step in a process where all practical criteria are considered first.

NG NTS invited views in respect of the proposed revised ExCR to be made by 23rd March 2012.

This document sets out NG NTS' conclusions on its consultation on the proposed ExCR (version 7.1). It provides a summary of the representations received, NG NTS' response and an indication of whether, as a result of such representations, any changes have been made to the proposed revised statement.

Responses

Representations were received from the just the one respondents listed below.

Centrica Storage Ltd CSL

This representation relates to the issues raised in UNC Modification Proposal 417 “Notice for Enduring Exit Capacity Reduction Applications”. As such, the issue will be addressed through changes to UNC (if implemented) and a corresponding update to the ExCR may be required.

Detailed comments from respondent and NG NTS' responses are provided in the following table.

| Party | Issue | Response Quotes | NG NTS Response | Proposed changes |
|-----------------------|---------------------------------------|---|---|--------------------|
| 1 – General | | | | |
| 1.1 CSL | Support | Whilst CSL generally supports the changes proposed by NGG in version 7.1 of the Statement, we believe that an additional issue should be addressed | We note the support and our comments on the additional issue are given below. | None |
| 1.2 CSL | Industry engagement | So far, we have appreciated NGG's effort to engage with the industry in a constant development of the Exit Capacity Release Methodology. CSL would like to continue to offer its help in making this process more effective and efficient. | NGG welcomes the support of CSL and other industry players in the development of the ExCR and other methodologies. | None |
| 2 – Reductions | | | | |
| 2.1 CSL | 14 Month Notice Period for Reductions | <p>we believe that an additional issue should be addressed namely the removal of the “14 months notice” period for reductions of incremental Enduring Exit Capacity when the User Commitment is satisfied in advance.</p> <p>This issue is fully reported in the UNC Modification Proposal 417 “Notice for Enduring Exit Capacity Reduction Applications”,whose solution is currently under development at the UNC Transmission Workgroup.</p> <p>Hereafter is a short summary of the identified problem and the proposed solution.</p> <p>Problem</p> <p>Users applying for incremental Exit Capacity are required to commit to pay the indicative transmission charge at the relevant offtake point for a period of four years (this financial commitment is generally referred as “User Commitment” (see Ofgem implementation notice Mod 195AV) and it is quantified in the User Commitment Amount (ExCR 7.1 §91-97)). If Exit Capacity charges are reviewed after the application and, as a consequence, Users face higher charges, this may lead to a satisfaction of their User Commitment (UC) within the first year of registered capacity.</p> <p>However, due to the “14 months notice” rule, these Users would be prevented from applying for any reduction in their capacity holdings with effect within the first year, exposing them to unforeseen but potentially significant increases in their cost over and above their UC.</p> <p>Solution</p> <p>It is proposed to amend the “14 months notice rule” such that affected Users are allowed to make an application during the Reduction Application Window preceding the first day of registered capacity for a reduction with effect from the 1st of any month after the UC has been satisfied. NGG</p> | <p>The rule that is being considered for change, i.e. the 14 month rule, is defined in UNC and is only stated in the ExCR for convenience. Hence it is appropriate for any change to be driven by a UNC Modification.</p> <p>A decision to implement the Modification is unlikely prior to the Authority decision on the ExCR. Hence the proposed ExCR does not contain changes relating to the Modification Proposal. If implemented, further changes to the ExCR will be required to ensure consistency between with UNC. These changes will be made as soon as practicable following a decision to implement, and subject to Authority approval.</p> | None at this time. |

| | | | | |
|--|--|---|--|--|
| | | <p>will reject such application only if the UC will not be satisfied by the requested reduction date, given the actual charges (actual NTS Exit Capacity Charges are set in the Notice of Gas Transmission Transportation Charges, which is published in advance (May) of the Reduction Application Window (July)).....</p> <p>In conclusion, we believe that the above solution, assuming that the Modification is implemented into the UNC, should be also included into the ExCR, as soon as reasonably possible and subject to approval from the Authority, to ensure continued consistency with UNC.</p> | | |
|--|--|---|--|--|