

The Joint Office, Relevant  
Gas Transporters, shippers and other  
interested parties

Andrew Fox  
Senior Commercial Analyst  
Gas Charging and Access Development

andrew.fox@nationalgrid.com  
Direct tel +44 (0)1926 656217  
Direct fax +44 (0)1926 656604  
Mobile +44 (0)7768 104846

[www.nationalgrid.com](http://www.nationalgrid.com)

20<sup>th</sup> February 2013

Dear Colleague

### **Consultation on the NTS Exit Capacity Release Methodology Statement (ExCR)**

Special Condition C18 of National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS (the "Licence") places an obligation on National Grid to prepare and submit for approval by the Gas and Electricity Market Authority (the "Authority") before 1<sup>st</sup> April in each formula year an NTS exit capacity release methodology statement ("ExCR") setting out the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators.

This letter therefore notifies gas shippers, developers, DN operators and other interested parties of National Grid's proposed ExCR which accompanies this letter, and invites views on these proposals.

The 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 created two phases for release of NTS Exit Capacity:

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

The proposed version of the ExCR (version 8.4) will, if approved, be the first to apply solely to the Enduring Exit Period. Part A related to capacity released in the Transitional Exit Period which ended on 30<sup>th</sup> September 2012. Capacity can no longer be released in this period so as a result Part A has been deleted completely.

Although the proposed ExCR is submitted under the existing TPCR4 Licence, we acknowledge that it will become effective under the RIIO-T1 Licence period. Hence the proposed ExCR has been drafted consistent with the proposed (by the Authority) RIIO-T1 Licence terminology and obligations. Please note that this should not be taken as an indication that National Grid will or will not accept the Licence proposals. Due to the extent of the proposed revisions we have detailed the changes to each paragraph in the Appendix to this letter. However, the main changes can be summarised as;

- terminology and reference changes to align the ExCR to the RIIO T1 final proposals;
- deletion of Part A and other updates for the passing of time;
- increased emphasis on the need to agree a PCA to meet capacity delivery dates;

- changes to facilitate the implementation of UNC Modification 0439. As this modification has not yet been approved for implementation, alternative drafting has been provided in the proposal. This should avoid the need to re-consult on a further revision to the ExCR if/when Modification 0439 is implemented; and
- a proposed change to the way that User Commitment can be satisfied in specific circumstance (see paragraph 89). Due to the timing of some Users' capacity increases in the Transitional Exit Period, those increases were not initialised. Hence, a separate, but identical increase request was necessary to allow continuation of capacity holdings into the Enduring Exit Period. This increase triggers a four year User Commitment starting October 2012. We believe that it is reasonable to allow a User the opportunity to reduce their capacity holding provided that they have held the capacity continuously for four years, even where this spans the Transitional and Enduring Exit Periods. We would specifically encourage comments on this proposed change.

Accompanying this letter are two documents:

- National Grid's proposed ExCR: the "Consultation Draft" v8.4; and
- A comparison document of v8.4 and the current approved Statement v8.3 showing all proposed changes.

It should be noted that the software used to generate the comparison document may not accurately identify all changes, e.g. diagram and headers. Where any doubt exists, reference should be made to the clean document.

## Responses

Responses to the consultation on the proposed ExCR should arrive at National Grid by 17:00 on 21<sup>st</sup> March 2013. They should be sent by e-mail to:

[sarah.lloyd@nationalgrid.com](mailto:sarah.lloyd@nationalgrid.com).

and copied to

[box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com).

Please ensure that a "read receipt" is requested with your e-mail to confirm that your response has been received.

Alternatively they can be sent by post to the address above, marked for the attention of:

"Sarah Lloyd

Transmission Network Service – Floor B3"

Responses will be placed on National Grid's website and incorporated within the consultation conclusions report. If you wish your response to be treated as confidential then please mark it clearly to that effect. If you wish to discuss any aspect of this letter please contact me on 01926 656217 or Sarah on 01926 654246.

Yours sincerely

Andrew Fox

[andrew.fox@nationalgrid.com](mailto:andrew.fox@nationalgrid.com)

### Appendix: Principle Changes Proposed to the ExCR.

Due to the extensive nature of the proposed changes, an explanation of the reason for each change (except some of the more straightforward changes) is provided below.

Original Paragraph number	New Paragraph number	Change Type	Description
Title Page and Document history			
Document title and headers		Update	References to specific Exit Periods deleted. No longer relevant. However, definitions have been retained and the terms used to ensure continuity of text.
About this Statement			
Paragraph 1		Update	Minor revisions and explanation of the removal of Part A which is no longer relevant.
Paragraph 2	N/A	Deletion	Relates to Transitional Exit Period: no longer relevant.
Paragraph 3	Paragraph 2	No significant change	Minor wording change
Paragraph 4	Paragraph 3	Update	Minor revisions and updated reference to licence condition.
Paragraph 5	Paragraph 4	No significant change	Minor revisions and updated contact details
General Introduction			
Paragraph 6	Paragraph 5	No Change	
Paragraph 7	Paragraph 6	No Change	
Paragraph 8	Paragraph 7	No significant change	Minor revision: removal of TYS gas transported to consumers in quantity.
Paragraph 9	Paragraph 8	No significant change	Minor wording change
Paragraph 10	Paragraph 9	Update	Clarification provided on processes covered by this statement and that a separate statement / process applies for connections. Revised contact details. Link to Capacity & Connections Workgroup site included
Paragraph 11	Paragraph 10	Increased detail	Introduces the potential for long lead times to deliver additional capacity in the NTS and emphasizes the need for Developers and Users to commit early to the provision of additional capacity to avoid misalignment of projects.
Paragraph 12	Paragraph 11	Increased detail	Terminology of Pre-Works agreements updated. New footnote clarifies relationship with ARCA for Reservation Parties.
Paragraph 13	Paragraph 12	No significant change	Minor revisions to terminology.
Paragraph 14	Paragraph 13	No Change	
Paragraph 15	Paragraph 14	Update	Minor revisions to terminology and updated reference to licence

			condition.
Paragraph 16	Paragraph 15	Update	Updated for consistency with revised Licence: reference to the “capacity release methodology” and updated Licence reference.
Paragraph 17	Paragraph 16	Update	Delete reference to Enduring Exit Period. No longer relevant.  Updated for consistency with revised Licence: reference and specifics of the “Exit Capacity notice” and updated Licence reference.
Paragraph 18	Paragraph 17	Update	Updated for consistency with revised Licence: Licence reference updated and reference to “NTS exit capacity baseline statement” replaced by “capacity obligation summary report”.
Part A			
Part A		Deletion	Part A related to capacity released in the Transitional Exit Period which ended on 30 <sup>th</sup> September 2012. Capacity can no longer be released in this period so Part A has been deleted completely.
Part B			
Title page		Footnote added	Clarifies use of “Enduring Exit Period” when no longer a relevant term.
Several occurrences throughout the Statement.		Update	References to PWA amended to PCA
Several occurrences throughout the Statement.		Update	Paragraph numbers updated to align to proposed changes.
Several occurrences throughout the Statement.		Update	Capacity terms have been capitalised in the revised Licence. This Statement has been updated to reflect this.
Paragraph 1	Paragraph 1	Update	Removal of reference to Part A and updated for passage of time.
Paragraph 2	Paragraph 2	No significant change	Minor wording change
Paragraph 3	Paragraph 3	No significant change	Distinguishes between UNC and Licence defined capacity terms.
Paragraph 4	Paragraph 4	No significant change	Minor wording change
Paragraph 5	Paragraph 5	Update	Revised Licence ref & minor wording change.
Paragraph 6	Paragraph 6	No Change	
Paragraph 7	Paragraph 7	No Change	
“Simplified Description of NTS Exit Capacity Terms Defined in the Licence”		Updated Diagram	Diagram shows relationship of revised capacity terms defined in the new Licence; showing how incremental capacity is reclassified and capacity substitution.
Paragraph 8	Paragraph 8	Update	Revised Licence ref.
Paragraph 9	Paragraph 9	Update	‘Transporting Britain’s Energy’ replaced with ‘Future Energy Scenarios’

Paragraph 10	Paragraph 10	Update	Minor wording change, revised capacity terms and cross references. Clarification that a strong signal in application windows is the trigger for release of incremental capacity. Inclusion of the potential for a PCA to start the process for release incremental capacity.
N/A	Paragraph 11	Added explanation	Discusses methods of satisfying delivery of incremental capacity (investment/substitution). Also describes/defines National Grid's planning activities as being wider than the statutory planning application processes for new infrastructure.
Paragraph 11	Paragraph 12	Update	Revised Licence references and terminology.
Paragraph 12	Paragraph 13	Update	Revised Licence references and terminology. Footnote 4 moved into main text for added emphasis.
Paragraph 13	Paragraph 14	No significant change	Correction to Statement name, and updated capacity term.
Paragraph 14	Paragraph 15	Update	Revised Licence terminology.
Chapter 1 Principles			
Paragraph 15	Paragraph 16	No significant change	Minor wording correction
Paragraph 16	Paragraph 17	Update	Revised Licence terminology and minor updates.
Paragraph 17	Paragraph 18	Update	Revised Licence reference, and terminology.
Paragraph 18	Paragraph 19	Update	Revised Licence terminology and minor wording change.
Paragraph 19	Paragraph 20	No Change	
Paragraph 20	N/A	Deletion	Refers to baseline quantities stated in the Licence. Relevant information will be available in the "capacity obligation summary report" (see paragraph 21).
Paragraph 21	Paragraph 21	Update	Revised Licence reference, and terminology. Clarifies obligation to produce the capacity release obligation summary report. Web address to find the report provided.
Chapter 2 Enduring Annual NTS Exit (Flat) Capacity			
Paragraph 22	Paragraph 22	No Change	
Paragraph 23	Paragraph 23	No Change	
Paragraph 24	Paragraph 24	Update	Revised Licence terms.
Paragraph 25	Paragraph 25	No Change	
Paragraph 26	Paragraph 26	No significant change	Updated for passage of time.
Paragraph 27	N/A	Deletion	Updated for passage of time.
Paragraph 28	Paragraph 27	No Change	
Paragraph 29	Paragraph 28	No Change	
Paragraph 30	Paragraph 29	No Change	
Paragraph 31	Paragraph 30	No Change	

Paragraph 32	Paragraph 31	No Change	
Paragraph 33	Paragraph 32	No Change	
Paragraph 34	Paragraph 33	No Change	
Paragraph 35	Paragraph 34	Update	Revised contact details. Inclusion of the potential for a PCA to be entered into. Deletion of reference of time to achieve Licence changes. Paragraph split into two to improve readability.
Paragraph 35	Paragraph 35	Amendment	Created by division of previous paragraph. No other changes.
Paragraph 36	Paragraph 36	Update	Revised Licence terms.
Paragraph 37	Paragraph 37	Paragraph re-drafted	Reference to possible inclusion of PCAs in process added. Reference to Generic Revenue Driver (RD) methodology included. Capacity terms updated. Release of incremental capacity linked to commencement of works and RD. Thereby ensures adequate funding.
Paragraph 38	Paragraph 38	Update	Updated to reflect development of a generic RD methodology. Revised Licence terms. Comment on process if a generic RD methodology is not agreed has been removed to a new paragraph 39.
Paragraph 38	Paragraph 39	New paragraph added. No significant change	Incorporates section separated from paragraph 38. RDs will be agreed with Ofgem on a case by case basis if a generic RD methodology is not agreed.
Paragraph 39	Paragraph 40	Redrafted but, no significant change	Clarify date for a new NTS Exit Point and RD to be included in the Licence under different application type scenarios.
Paragraph 40	Paragraph 41	Update	Revised Licence terms.
Paragraph 41	Paragraph 42	Amendment	Emphasises the likely use of permits if works not undertaken prior to capacity application (i.e. if PCA not agreed) or that lead-time may be reduced if PCA agreed.
N/A	Paragraph 43	New paragraph	Discretion to enter into PCA moved from NG to User or Reservation Party. Obligations on National Grid do not change if PCA not agreed. PCA will be available where incremental capacity release is required. A diagram is included to demonstrate the purpose and benefits of the PCA. High level obligations on both Parties, with regard to PCA, are given in paragraphs 44 to 46.
Paragraph 42	Paragraph 44	Amendment / Increased detail	Greater detail on the key terms and obligations placed on National Grid by the PCA added. Reference to "Works", which is a UNC defined term changed as the PCA may cover additional activities.

N/A	Paragraph 45	New Paragraph	Provides high level indication of the obligations of the counter party where a PCA has been signed.
Paragraph 43	Paragraph 46	Amendment	Revised Licence terms. Added time limit to process for refunding PCA costs.
Paragraphs 44	Paragraph 47	No significant change	Release dates stated in paragraph 47 may be adjusted according to paragraph 44, so a cross-reference to paragraph 44 has been added. Minor wording change.
Paragraphs 45	Paragraph 48	No Change	
Paragraph 46/47	Paragraph 49	Minor amendment	Paragraphs combined to avoid duplication of information.
Paragraph 48	Paragraph 50	No Change	
Paragraph 49	Paragraph 51	No Change	
Paragraph 50	Paragraph 52	No Change	
Paragraph 51	Paragraph 53	No Change	
Paragraph 52	Paragraph 54	No Change	
Paragraph 53	Paragraph 55	No Change	
Paragraph 54	Paragraph 56	Update	Revised Licence terms.
Paragraph 55	Paragraph 57	No Change	
Paragraph 56	Paragraph 58	Correction	Error in defined capacity term in footnote 15 corrected.
Paragraph 57	Paragraph 59	No Change	
Paragraph 58	Paragraph 60	No Change	
Paragraph 59	Paragraph 61	No significant change	Minor wording changes
Paragraph 60	Paragraph 62	No significant change	'required date' replaced with 'Demonstration Date'.
Paragraph 61	Paragraph 63	No Change	
Paragraph 62	Paragraph 64	No Change	
Paragraph 63	Paragraph 65	No Change	
N/A	Paragraph 66	New Paragraph	New paragraph added to enable agreement of PCA as a precursor to an ARCA, thereby allowing works to proceed in a similar way for a Reservation Party as for a User.
Paragraph 64	Paragraph 67	No Change	
Paragraph 65	Paragraph 68	No Change	
Paragraph 66	Paragraph 69	No significant change	Changed "User Commitment" to "ARCA User Commitment" to distinguish the different commitment resting with a Reservation Party after nomination of a User.
Paragraph 67	Paragraph 70	No Change	
Paragraph 68	Paragraph 71	No Change	
Paragraph 69	Paragraph 72	No Change	
Paragraph 70.	N/A	Deletion	Section on Deemed Applications was previously deleted and explanatory paragraph inserted. This paragraph, and the section

			heading, is now being deleted.
Paragraph 71	Paragraph 73	Amendment, including for UNC Modification 439	Superfluous caveat in sub-paragraph (b) deleted. Footnote added to make sub-paragraph (b) defunct in the event that Mod 0439 is implemented. This Mod will remove the minimum 14 month notice required for reduction requests.
Paragraph 72	Paragraph 74	Amendment, including for UNC Modification 439	Minor wording changes Footnote added to remove paragraph 74 in the event that Mod 0439 is implemented.
Paragraph 73	Paragraph 75	Update and amendment for UNC Modification 439	Deletion of reference to timing for reduction of initialised quantities to be effective at the start of the Enduring Exit Period. This is no longer possible. Footnote added to remove paragraph 75, which will be superfluous, in the event that Mod 0439 is implemented.
Paragraph 74	Paragraph 76	No Change	
Paragraph 75	Paragraph 77	No Change	
Paragraph 76	Paragraph 78A	Update and amendment	Revised Licence terms and minor amendments to improve clarity that reduction of User Committed capacity will be allowed where this would avoid the need to release incremental capacity.  Footnote added to remove this paragraph 78A if Mod 0439 is implemented since it references the 14 month notice period for a reduction request.
N/A	Paragraph 78B	New paragraph added for UNC Modification 439	Alternative version of paragraph 78A which will only apply if Mod 0439 is implemented. To be consistent with Mod 439, this paragraph does not have the 14 month rule.
Paragraph 83	Paragraph 79	Amendment	Existing paragraph has been moved. As it relates to conclusion of reduction processes (e.g. notification of acceptance) it fits better following the previous paragraphs stating standard reduction processes. Link to the Annual Window added to clarify scope of the paragraph. Comment on the need to submit a revised reduction in the event that a reduction request is rejected is superfluous and has been deleted.
Paragraph 77	Paragraph 80	No Change	
Paragraph 78	Paragraph 81	Update	Revised Licence terms. Footnote amended by removal of ExCS version number to ensure continued applicability.
Paragraph 79	Paragraph 82	No Change	
Paragraph 80	Paragraph 83	No Change	
Paragraph 81	Paragraph 84	Update and amendment	Revised Licence terms.



			Additional criterion added to process for consideration of reduction requests to give added clarity.
Paragraph 82	Paragraph 85	No significant change	Minor wording change
Paragraph 83	Paragraph 79	Amendment	Existing paragraph moved and shortened; becomes new paragraph 79
Paragraph 84	Paragraph 86	No significant change	Contact details updated
Paragraph 85	Paragraph 87	Update	A “long term signal” is not longer included in the Licence as being fundamental to the release of incremental capacity. Hence the term, and reference to the Licence, has been deleted. The link between the User Commitment and incremental capacity release has been strengthened.
Paragraph 86	Paragraph 88	Amendment	Additional criterion added to sub-paragraph (b) to cover the possibility of reduction requests earlier than October Y+2.  Deletion of sub-paragraph (c) which refers to the 14 month notice period for reduction requests. This rule (as may be amended by UNC Mod 439) is covered in UNC and reiterated in paragraph 78. Discussions on Mod 417S highlighted that the User Commitment (UC) is financial: any duration based obligation is not part of the UC. Deletion from paragraph 88 reduces risk of misunderstanding.
N/A	Paragraph 89	Amendment: New Paragraph	New rule proposed to allow a reduction if incremental capacity has been held for 4 years continuously across the Transitional and Enduring Periods.
Paragraph 87	Paragraph 90	No Change	
Paragraph 88	Paragraph 91	Amendment	Cross reference to paragraph 32, which states obligation for UC, added. 100,000 kWh/day criterion added as new sub-paragraph. This brings all scenarios where UC does not apply together. Deletion of unnecessary example which would be inconsistent with Mod 0439 if implemented.
Paragraph 89	Paragraph 92	No Change	
Paragraph 90	Paragraph 93	No Change	
Paragraph 91	Paragraph 94	No Change	
Paragraph 92	Paragraph 95	Amendment	The use of “User Commitment Amount” (UCA) has been used to define the initial level of commitment and the remaining level after consideration of charges received. To minimise risk of confusion, the “Remaining UCA” has been added as a new term.
Paragraph 93	Paragraph 96	Amendment	Updated to reflect the new term in Paragraph 95. Clarification added in respect of stepped increases in capacity.

Paragraph 94	Paragraph 97	Amendment	It is necessary that the UCA for Reservation Parties is assessed in a different way to that for Users. To avoid potential for confusion the definition of UCA in paragraph 100 has been amended to “ARCA UCA”.
Paragraph 95	Paragraph 98	No Change	
Paragraph 96	Paragraph 99	Amendment	Revised Licence terms. Clarification added that indicative prices for the UC will be determined in a manner consistent with the prevailing charging methodology.
Paragraph 97	Paragraph 100	No significant change	Minor wording change.
Paragraph 98	Paragraph 101	No Change	
Paragraph 99	Paragraph 102	No Change	
Paragraph 100	Paragraph 103	Amendment	Delete the superfluous reference to 14 months notice for reduction from sub-paragraph (c) which details the Assignee’s User Commitment.
Paragraph 101	Paragraph 104	No Change	
Paragraph 102	Paragraph 105	No Change	
Paragraph 103	Paragraph 106	No Change	
Paragraph 104	Paragraph 107	No Change	
Paragraph 105	Paragraph 108	Correction	Paragraph refers to the potential for capacity transfers to create negative capacity entitlements. The potential for this to result in a deemed application should have been deleted with the removal of the deemed application process through Mod 0381.
Paragraph 106	Paragraph 109	Update	To be consistent with the Licence it is anticipated that the IECR will be replaced with the ‘Entry Capacity Release’ Methodology Statement later in 2013. Footnote added to reflect this change.
Paragraph 107	Paragraph 110	No Change	
Paragraph 108	Paragraph 111	No Change	
Paragraph 109	Paragraph 112	No significant change	Revised Licence terms. Minor wording change.
Paragraph 110	Paragraph 113	Update and amendment	Revised Licence terms. Minor wording changes and clarifications. Updated for revised definition of default lead-time (effectively there is no change). Reference to agreeing PCAs added to emphasise importance in reducing lead-times.
Paragraph 111	Paragraph 114	Update	Revised Licence terms. Lead time updated from 38 months to 36 months based on new definition.

			New criterion that NG will not extend the lead time by more than 24 months unless agreed with the Authority.
Paragraph 112	Paragraph 115	Update	Revised Licence terms. To align to the new licence, a time limit on National Grid to notify of changes to default lead-times has been added.
Paragraph 113	Paragraph 116	No significant change	Revised Licence terms. Minor wording change.
Paragraph 114	Paragraph 117	No significant change	Revised contact details. Minor wording change.
Paragraph 115	Paragraph 118	No Change	
Paragraph 116	Paragraph 119	No significant change	Revised Licence terms.
Paragraph 117	Paragraph 120	No significant change	Revised Licence terms.
Chapter 3 Annual NTS Exit (Flat) Capacity			
Paragraph 118	Paragraph 121	No Change	
Paragraph 119	Paragraph 122	No Change	
Paragraph 120	Paragraph 123	No significant change	Revised Licence terms.
Paragraph 121	Paragraph 124	No Change	
Paragraph 122	Paragraph 125	No significant change	Revised Licence terms.
Paragraph 123	Paragraph 126	No significant change	Revised Licence terms.
Paragraph 124	Paragraph 127	No Change	
Paragraph 125	Paragraph 128	No Change	
Chapter 4 Daily NTS Exit (Flat) Capacity			
Paragraph 126	Paragraph 129	No Change	
Paragraph 127	Paragraph 130	No significant change	Revised Licence terms.
Paragraph 128	Paragraph 131	No significant change	Revised Licence terms.
Paragraph 129	Paragraph 132	No significant change	Minor amendments to capacity terms.
Chapter 5 NTS Exit (Flexibility) Capacity			
Paragraph 130	Paragraph 133	No Change	
Paragraph 131	Paragraph 134	No Change	
Paragraph 132	Paragraph 135	Amendment	Deletion of initialisation comment due to passing of time.
N/A	Paragraph 136	Amendment	New paragraph pointing to separate statement on short term access to flexibility.
Paragraph 133	Paragraph 137	No Change	
Paragraph 134	Paragraph 138	No Change	
Paragraph 135	Paragraph 139	No Change	
Paragraph 136	Paragraph 140	No Change	
Paragraph 137	Paragraph 141	No Change	
Paragraph 138	Paragraph 142	No Change	

Appendices		
B1 Exit Zone Details	Update	General updates for new or decommissioned sites. Planned sites recorded as “no offtake”.
B2: Definitions	Update	New terms added, others updated for passage of time.
B2: Licence Capacity Terms	Update	Amended to be consistent with new Licence.
B2: UNC Capacity Terms	Amendment	Minor drafting changes to rectify incorrect term and to improve referencing.