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NESO Response to Preliminary Consultation: Capacity methodology statements

Dear Nicola,

Thank you for the opportunity to respond to your preliminary consultation on the Capacity Methodology Statements. Our response is not confidential and may be shared with other stakeholders as appropriate.

Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

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Our key points

- NESO's Gas Supply Security Assessment, published in November 2025, indicated that gas supply margins are expected to become tighter by 2030. It identified that improving gas deliverability and developing new gas supply infrastructure were key mitigation options to address this risk. In this context, we agree that there may be value in revisiting access arrangements more broadly to ensure they remain responsive to changing system needs and are fit for purpose to support reliability, flexibility and investment as domestic production declines, import dependence increases and operational patterns become more variable.
- More specifically, NESO recognises the need to review the PARCA process to ensure it remains suitable for new sources of supply, particularly with regards to the user financial commitment aspect. This may help to support the attractiveness to invest in GB and hence GB gas security of supply with consequential benefits to whole energy system security.
- We welcome Ofgem's recent decision to approve UNC0912S, 'PARCA Quarterly NTS Entry Capacity Minimum Duration Quantity', recognising this as an important first step in reducing the commitment burden placed on PARCA applicants. This could be enhanced further through the implementation of UNC0920, 'PARCA Security Amount', as recommended by the UNC Panel, which would reduce the level of security required from applicants.
- We also note that UNC0903, 'The Introduction of a Single NTS Capacity Reference Price', may be relevant in this context, as changes to capacity reference prices could affect the absolute financial commitments associated with capacity reservations. While consideration of the wider merits of UNC0903 sits outside the scope of this response, its potential impact on the level of PARCA-related commitments should be recognised.
- Collectively, these changes would represent a significant reduction in the overall financial commitment required from PARCA applicants seeking Entry Capacity, addressing concerns identified through UNC0901R, 'Review of the Arrangements for Reservation of NTS Capacity', and improving the attractiveness of new connections to the NTS.
- Any reduction in the overall user commitment burden for entry capacity applicants is likely to result in an increase in socialisation of investment costs for new connections, ultimately potentially increasing costs for gas end-consumers. This impact must be judged against the potential for improved security of supply in the context of alternative options for improving system resilience being considered by government.
- We welcome National Gas' efforts to progress the review of the Capacity Methodology Statements and recognise the value of exploring options that may improve further the attractiveness of investment in new sources of gas supply. However, we consider that

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further assessment is required before concluding that the proposed approaches would deliver the intended outcomes. Changes should be supported by a robust understanding of the potential impacts on network users, consumers and wider system objectives.

- Any interim changes should be designed in a manner that does not constrain, pre-empt or make more difficult the implementation of broader reforms that may emerge through future policy development and industry review. There is a need to consider whether proposed modifications remain sufficiently flexible to accommodate more fundamental changes to access arrangements, charging frameworks or investment planning processes should these be pursued in future.

We look forward to engaging with you further on the issues identified in the consultation. Should you require further information on any of the points raised in our response please contact Shona Watt, Gas Market Analyst at shona.watt@neso.energy.

Yours sincerely

Michelle Niits

Gas Market Change Manager