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Dear David

Facilitating the implementation of aspects of the Capacity Allocation Mechanisms Network Code in Great Britain

We welcome the opportunity to respond to the “Facilitating the implementation of aspects of the Capacity Allocation Mechanisms Network Code in Great Britain” consultation. This response is provided on behalf of National Grid, as National Grid Gas in its role as owner and operator of the Gas Transmission System in Great Britain.

We have provided a summary of National Grid’s views on the key areas of our response below. A full response to the questions raised in the consultation is provided in Annex 1.

Bacton Split

We agree with Ofgem’s view that the current Bacton (BA) Aggregated System Entry Point (ASEP) needs to be split commercially to accommodate the new EU arrangements and allow a bundled product to be sold. To that end we have raised UNC modification 0501 and we will continue to work with the Industry to develop the solution through the relevant UNC Workgroup.

We recognise that the splitting of the Bacton ASEP has an effect on Shippers and their current contractual arrangements and therefore believe that the final decision regarding the setting of the baseline levels (at both the UKCS and the IP ASEPs) will need to take account of the responses provided by Shippers to Question 4 in the consultation.

Transitional arrangements

We agree that there is a need to be clear within the GT licence as to the level of the obligations to release capacity at the existing Bacton ASEP until the CAM changes are implemented (currently set to be 1 November 2015) and at the two new proposed Bacton ASEPs (Bacton UKCS and Bacton IP) thereafter. For this reason, we believe that transitional arrangements are needed and therefore agree with Ofgem’s position.

Other licence changes

We believe that there are further changes which should be made to our GT licence to facilitate the implementation of CAM and outline our thoughts regarding these below:

Definition of Gas Day

We note Ofgem’s intent to conduct a separate informal consultation for the licence modifications relating to changes to the Gas Day and the subsequent open letter dated 28/7/14. We believe that the changes required overlap with this consultation and other GT licence changes (such as those required to implement the PARCA arrangements). National Grid believes that it would be

preferable for all of these changes to be formally issued together as one statutory consultation once the informal process is complete.

Definition of Regulation

We note that the definition of “Regulation” within Standard Condition 1 and “the Regulation” within Standard Special Condition A3 refer to the main Regulation (EC) No 715/2009 and make reference to the 2010 Amending Decision (2010/685/EU). However the definitions do not include references to any changes beyond this point (such as the introduction of Network Codes concerning CAM, CMP or Gas Balancing). In order to ensure that these definitions are up to date, we would suggest that the definitions are clarified to ensure that they also refer to “any regulations or decisions which are made pursuant to Regulation (EC) No 715/2009”.

We note that as these changes would affect Standard Condition 1 and Standard Special Condition A3, they would also apply to other licensees.

Wider Obligations concerning Entry Capacity and Exit Capacity

It is our understanding that IPs would be covered by the current GT Licence definition of an NTS Entry Point and an NTS Exit Point and therefore subject to all the same obligations. Consequently we believe that it may be necessary to amend the GT licence condition which outlines the Capacity methodology objectives (Part C of Special Condition 9A) because Entry Capacity Transfer and Trade obligations may be contrary to CAM objectives to maximise IP flows. With regards to the other methodology statements, such as Entry Capacity and Exit Capacity Substitution, further consideration and discussion is required with all industry representatives to assess whether the Licence or the methodology statements are best placed to reflect the principles and outcomes that both the methodology statements and EU Codes are establishing.

If you have any questions regarding any points raised in this response, then please do not hesitate to contact me on the details above, or Steven Fisher (steve.r.fisher@nationalgrid.com – 01926 653428) or Matthew Hatch (matthew.hatch@nationalgrid.com – 01926 655893).

Yours sincerely



Helen Campbell

Head of Commercial Frameworks - Gas
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Annex 1

CHAPTER: Two

Question 1: Do you agree with our proposal to only implement the CAM network code in respect of the allocation of entry and exit capacity on the NTS at IPs?

National Grid agrees that the CAM network code should only be implemented in respect of the allocation of Entry Capacity and Exit Capacity at IPs on the NTS.

CHAPTER: Three

Question 2: Do you agree with our proposal to split the Bacton ASEP into a UKCS ASEP and IP ASEP?

National Grid continues to believe that in order to meet the CAM Regulations, specifically regarding the bundling of capacity, the Bacton ASEP will need to be commercially split. We recognise that this approach will have an impact upon Shippers, particularly those with existing entry capacity holdings, but do not believe that the other options which were discussed within the open letter and noted within the consultation document (such as NGG resolving any constraints occurring from selling the baseline level on both Gemini and PRISMA or the use of capacity reduction or competing auctions) are appropriate.

Question 3: Do you agree with our proposal to create one single IP ASEP, with the baseline capacity set at the sum of the maximum technical capacity for the IUK and BBL interconnectors?

National Grid believes that the creation of a single IP ASEP could provide a greater degree of flexibility for Shippers and therefore feels that this is preferable to creating two separate IP ASEPs.

As regards the setting of the baseline level at the IP ASEP, we believe that to meet the intent of the CAM Regulation (regarding maximisation of IP flows) then the IP ASEP baseline should be set based on the technical capacities of IUK and BBL, but this should not be to the detriment of domestic points.

We recognise that the splitting of the Bacton ASEP has an effect on Shippers and their current contractual arrangements and therefore believe that the final decision regarding the setting of the relevant baseline levels (at both the UKCS and the IP ASEPs) will need to take account of the responses provided by Shippers to Question 4 below.

Question 4: If you are a holder of entry capacity at Bacton after November 2015, please provide details of entry capacity holdings after this date. Please also provide details of how you would choose to assign these capacity rights following any split of the Bacton ASEP (i.e. into a UKCS ASEP and IP ASEP)?

As National Grid is a transporter this question is not applicable.

CHAPTER: Four

Question 5: Do you agree that no change is required to the existing licence obligations relating to NTS exit capacity in order to facilitate the implementation of the CAM network code?

National Grid agrees that no changes will need to be made to the existing licence obligations regarding the baseline levels for Exit Capacity as these are already set at an individual NTS Exit Point level within Special Condition 5G. However, as the GT licence definition of an NTS Exit Point would also capture an IP, the wider obligations which relate to Exit Capacity would also apply at IPs. These include the obligations regarding Exit Capacity Revision and Exit Capacity Substitution (as defined within Special Condition 1A). We do not believe that these obligations should necessarily apply at IPs as the intent of the CAM Regulation is to maximise IP flows and therefore believe that further discussion is required regarding whether the GT licence condition which outlines the Capacity methodology objectives (Part C of Special Condition 9A) should be amended or the methodology

statements are best placed to reflect the principles and outcomes that both the methodology statements and EU Codes are establishing.

Question 6: Do you agree that there is a need to amend the definition of Off-peak Exit Capacity in NGG's NTS licence?

National Grid agrees that the definition of "Off-peak Exit Capacity" within Special Condition 1A should be amended to ensure that it also captures the "interruptible" Exit Capacity product (as outlined within UNC mod 0500).

CHAPTER: Five

Question 7: Do you agree with the proposed changes to NGG's NTS licence that we have set out in Appendix 3?

National Grid agrees with the proposed changes which Ofgem has indicated within Appendix 3, but also feels that there are further changes which should be made to our GT licence. These are outlined in our answer to Question 9 below.

Question 8: Do you consider that some form of transitional arrangement is required? If so, do you consider our proposals, as set out in this document, meet these requirements?

National Grid agrees that there is a need to be clear within the GT licence as to the level of the obligations to release capacity at the existing Bacton ASEP until the CAM changes are implemented (currently set to be 1 November 2015) and at the two new proposed Bacton ASEPs (Bacton UKCS and Bacton IP) thereafter. In order to achieve this, some form of transitional arrangements from the existing obligation to release 1783.4 GWh/day at Bacton ASEP to the levels at the two new proposed Bacton ASEPs will need to be included.

National Grid believes that the changes included within Ofgem's proposals should ensure that there is clarity over the capacity release obligations and therefore that these changes are appropriate.

Question 9: Are there any other changes to NGG's NTS licence (or any other licence) that you consider are required to facilitate the implementation of CAM?

National Grid believes that there are further changes which should be made to our GT licence to facilitate the implementation of CAM and outline our thoughts regarding these below:

Definition of Gas Day

We note Ofgem's intent to conduct a separate informal consultation for the licence modifications relating to changes to the Gas Day and the subsequent open letter dated 28/7/14. We believe that the changes required overlap with this consultation and other GT licence changes (such as those required to implement the PARCA arrangements). National Grid believes that it would be preferable for all of these changes to be formally issued together as one statutory consultation once the informal process is complete.

Definition of Regulation

We note that the definition of "Regulation" within Standard Condition 1 and "the Regulation" within Standard Special Condition A3 refer to the main Regulation (EC) No 715/2009 and make reference to the 2010 Amending Decision (2010/685/EU). However the definitions do not include references to any changes beyond this point (such as the introduction of Network Codes concerning CAM, CMP or Gas Balancing). In order to ensure that these definitions are up to date, we would suggest that the definitions are clarified to ensure that they also refer to "any regulations or decisions which are made pursuant to Regulation (EC) No 715/2009".

We note that as these changes would affect Standard Condition 1 and Standard Special Condition A3, they would also apply to other licensees.

Wider Obligations concerning Entry Capacity and Exit Capacity

It is our understanding that the current GT licence definitions of an NTS Entry Point and an NTS Exit Point would also capture those points which are an IP and therefore the wider obligations which relate to Entry Capacity and Exit Capacity would also apply at IPs. These include the obligations regarding Entry Capacity Substitution, Entry Capacity Trade, Entry Capacity Transfer, Exit Capacity Revision and Exit Capacity Substitution (as defined within Special Condition 1A).

It is our view that the Entry Capacity Trade and Transfer obligations should not necessarily apply at IPs because the substitution of Entry or Exit Capacity away from IPs may appear to be against the intent of the CAM Regulation to maximise IP flows. Therefore it is our view that the GT licence condition which outlines the Capacity methodology objectives (Part C of Special Condition 9A) should be amended to state that this obligation should not apply at NTS Entry Points that are defined as an IP.

With regards to the other methodology statements, such as Entry Capacity and Exit Capacity Substitution, further consideration and discussion is required with all industry representatives to assess whether the Licence or the methodology statements are best placed to reflect the principles and outcomes that both the methodology statements and EU Codes are establishing.