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for energy consumers

Steve Fisher
Gas Charging and Capacity
Development Manager
National Grid Gas plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Your Ref:
Our Ref:
Direct Dial: 020 7901 7159
Email: Andy.Burgess@ofgem.gov.uk

Date: 11 November 2014

Dear Steve,

**Capacity Release Methodology Statements and Capacity Methodology Statements:
Accompanying Statement**

Thank you for your letter of 3 October 2014 asking to be released from the requirement in Special Conditions 9A.7 and 9B.9 of your gas transporter licence to provide Independent Examiner Statements alongside the updated Capacity Release Methodology Statements and Capacity Methodology Statements (the "Methodology Statements").

You are updating the Methodology Statements to facilitate compliance with Commission Regulation (EU) No 984/2013 (Capacity Allocation Mechanisms) and continued compliance with Annex I to Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures. The Methodology Statements include:

- the Entry Capacity Release Methodology Statement (the "ECR");
- the Exit Capacity Release Methodology Statement (the "ExCR");
- the Entry Capacity Substitution Methodology Statement (the "ECS");
- the Exit Capacity Substitution and Exit Capacity Revision Methodology Statements (combined as one statement, the "ExCS"); and
- the Entry Capacity Transfer and Entry Capacity Trade Methodology Statements (combined as one statement, the "ECTT").

This letter should not be taken as indication that we will be approving the proposed changes to the Methodology Statements. We will decide whether or not to approve these proposals, on the merits, after submission of the final UNC modification reports and licence consultation responses.

In your letter, the reasons given for seeking derogation from the requirement for Independent Examiner Statements were as follows:

1. that the changes to the Methodology Statements you foresee as a result of the proposed UNC Modification 0500 (EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures) and 0501/0501A (Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations) are not substantive;
2. the UNC Modifications need to be implemented in November 2015, and therefore the revised Methodology Statements need to be submitted to the Authority by 30 June 2015. Examination of the Methodology Statements would delay the launch of

- consultations on the revisions and reduce time available for discussion with industry;
3. due to the timescales, examination of the Methodology Statements would need to be conducted before the UNC Modifications have been implemented. Therefore this would have to be based on assumptions about the impact of the UNC modifications on the Methodology Statements;
 4. in particular the examination would be before the Joint Booking Platform (PRISMA) was interfaced with NGG's Gemini booking system and before any capacity bids have been received under the new Statements. Therefore the examination could not audit the processes and procedures against actual capacity bids.
 5. as the UNC Modification 0500 introduces the joint booking system for booking capacity, Examination would actually be of a 3rd party system, not an NGG system;
 6. Special Conditions 9A.6 and 9B.8 of your gas transporter licence require the review of the Methodology Statements every two years or when a significant change is made; and
 7. you consider that an examination of the Methodology Statements will provide little benefit to Ofgem, NGG or the wider industry.

The Authority's Decision

We have carefully considered your request and have decided to grant you consent not to provide Independent Examiner Statements pursuant to Special Conditions 9A.7 and 9B.9 in this instance. We agree that, based on the evidence available to date on the changes to the Methodology Statements as a result to the UNC Modifications 0500 and 0501/0501A (and 0501B/0501C which have been released subsequently), Independent Examiner Statements would provide little valuable additional information regarding compliance with your duties under the gas transporter licence and the Gas Act 1986. We are granting this consent on the condition that we may require you to include, in the scope of future Independent Examiner Statements, an examination of the live Gemini PRISMA interface. The granting of this derogation sets no precedent for any future derogation requests.

Please find the consent attached to this letter. Both documents have been made available on our website.

This letter constitutes notice under section 38A of the Gas Act 1986.

Yours sincerely,

Andrew Burgess

Associate Partner, Transmission and Distribution Policy