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for energy consumers

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Date: 27 January 2015

Dear Helen

Gas transmission capacity – March 2015 QSE

Thank you for your letter of 22 December 2014 to David Reilly, providing your response to our¹ consultation proposing to terminate Permit Arrangements and adjust the revenue earned by NGG from Permit Arrangements for the period 1 April 2013 – 31 March 2015². We are still considering our decision on this and will publish it in due course.

Your letter also mentioned your proposed approach to incremental capacity in the forthcoming QSEC. I hope it is useful to record our position on that.

The introduction of the new PARCA³ arrangements involves a suite of changes (to the Uniform Network Code, to your licence, and to the Capacity Methodology Statements). We made changes to your licence, and approved changes to the Uniform Network Code (UNC) to introduce PARCAs on 8 December 2014. The revised licence conditions of your licence come into effect on 31 January 2015 and the changes to the UNC on 2 February 2015. Your consultation on proposed changes to the Capacity Methodology Statements closed on 16 January. However, as you note, it may not be possible for us to decide whether to approve the new Statements ahead of NGG issuing the invitation letter to the March 2015 QSEC auction.

You say that if we have not approved the Statements before you issue your invitation letter, you “intend to apply the spirit of the PARCA arrangements to the March 2015 QSEC”. You would not therefore make Funded Incremental Obligated Entry Capacity available through the March 2015 QSEC. We agree with the approach that incremental capacity is not made available in the March 2015 QSEC auction.

I should add that this interpretation is without prejudice to our powers (including our powers to take enforcement action) under the Gas Act 1986, under the NGG Licence, under the UNC and without prejudice to our power to make a decision on whether to approve the proposed changes to the Capacity Methodology Statements.

¹ The terms “Ofgem”, “the Authority”, “we” and “us” are used interchangeably in this document.

² The consultation was published on 10 November 2014 and closed on 22 December 2014

<https://www.ofgem.gov.uk/publications-and-updates/proposal-terminate-use-permits-arrangements-national-grid-gas-transmission%E2%80%99s-licence-and-adjust-revenue-earned-permit-arrangements-period-1-april-2013-%E2%80%93-31-march-2015>

³ PARCAs (Planning and Advanced Reservation of Capacity Agreement) decision was published on 8 December 2014. <https://www.ofgem.gov.uk/publications-and-updates/decision-licence-changes-implement-planning-and-advanced-reservation-capacity-agreements> and <https://www.ofgem.gov.uk/publications-and-updates/decision-unc452v-and-unc465v-introduction-planning-and-advanced-reservation-capacity-agreements-parcas>

Please contact David Reilly on 0203 263 9648 or david.reilly@ofgem.gov.uk should you have any questions about this letter.

Andy Burgess

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