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Dear Rob

Statutory consultation on proposed licence modifications to facilitate the implementation of the Capacity Allocation Mechanisms Network Code in Great Britain

We welcome the opportunity to respond to the above 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.

The proposed changes and our views:

Amending table 3 of Special Condition 5F to split the existing Bacton Aggregated System Entry Point (ASEP) into two new ASEPs – Bacton UKCS and Bacton IP.

We note that Ofgem recently directed the licence changes required to implement the Planning and Advanced Reservation Agreements (PARCAs), as described in your covering letter to this consultation:

“The PARCA licence changes will come into effect on 31 January 2015. We have also issued a consultation on terminating the use of Permit Arrangements from National Grid Gas Transmission’s Licence and adjust the revenue earned from Permit Arrangements for the period 1 April 2013 to 31 March 2015.

“These changes affect the same licence conditions as we are changing under our CAM proposals. There is no policy interaction between both sets of proposals – both will amend different parts of each Special Condition. However, the PARCA licence modifications will insert additional definitions to Special Condition 1A and change the numbering and structure of Special Condition 5F. Respondents should be aware of these modifications as the final changes to the Special Conditions will depend on implementing the PARCA licence text and the outcome of this consultation.”

We agree that the final changes to the Special Conditions being consulted on (including paragraph references) will depend on implementing the PARCA licence text and the outcome of this consultation. We also agree with the PARCA Licence text which removes table 3 from Special Condition 5F. Assuming the directed PARCA licence text is in place for the 31st January 2015 and table 3 from Special Condition 5F is consequently removed from the licence we consider that the amendment to table 3 proposed under this consultation will not be necessary.

Inserting a new table 6B in Special Condition 5F which lists the NTS Entry Points effective for processes on Gas Days from 1 November 2015 (or such other date as the Authority may direct in writing). Table 6B is the same as the current table 6A except for the following:

- **The existing Bacton ASEP is split into two new ASEPs – Bacton UKCS and Bacton IP.**

We continue to agree with Ofgem’s position that the current Bacton Aggregated System Entry Point (ASEP) needs to be split commercially to accommodate the new EU arrangements and allow a bundled capacity product to be sold. To that end UNC Modification 0501 was raised, and we have continued to work with the Industry through the relevant UNC Workgroup and have assisted in the development of alternatives to this proposal, all of which maintain the principle of the Bacton ASEP split.

- **The baseline capacity (capacity is the right to flow gas on or off a network) for the Bacton IP ASEP is set at the sum of the maximum technical capacities of the two interconnectors (1297.8 GWh/day), with the remaining baseline capacity of the current Bacton ASEP assigned to the Bacton UKCS entry point (485.6 GWh/day).**

We agree the sum of the two new baselines should equal the current baseline figure for Bacton ASEP. We believe the split should reflect the responses received by Ofgem in the open letter¹ process and June 14 consultation² (particularly Q4) dealing with this subject, and also be mindful of the CAM obligation to maximise technical capacity at Interconnection Points (IPs), whilst not being to the detriment of domestic points. Our view is that the split proposed above adheres to this approach.

Note on Reference Conditions

Currently in the GB regime, capacity is sold on a 15/15 basis with regards to reference conditions for gas volume and calorific value. We would like to take the opportunity to confirm that, upon implementation of UNC Modification 0519, the Bacton IP baseline will be offered via PRISMA on a 0/25 basis with regards to reference conditions. Our interpretation, in line with the solution in Modification 0519, is that no conversion is required for this, and the baseline number in the licence is the number that will be offered on PRISMA. For the avoidance of doubt, the UKCS baseline would continue to be offered on the UK standard 15/15 basis via Gemini.

- **A new column is inserted in order to indicate the type of Entry Point within NGG’s licence for all entry points.**

We agree with this addition as it will provide certainty to all parties of which Entry Points the EU rules will apply to.

Amending the definition of Off Peak Exit Capacity at IPs within Special Condition 1A.

We agree 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 Modification 0500).

We believe that all other terms regarding Entry and Exit capacity already capture IP capacity adequately.

¹ References to the ‘open letter’ are to ‘Options for Great Britain’s implementation of the European Union Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems (Regulation 984/2013) at the Bacton entry point’ published by Ofgem on 31st Oct 2014 (available using this [link](#)).

² ‘Facilitating the implementation of aspects of the Capacity Allocation Mechanisms Network Code in Great Britain’ published by Ofgem on 13th June 2014 (available using this [link](#)).

Methodology Statements:

We agree that certain capacity and capacity release methodology statements need to be reviewed and revised to facilitate implementation of CAM. To that end, the following statements have been issued for informal consultation, which ends 27th February 2015:

- Entry Capacity Release Methodology Statement (ECR) v2.1
- Exit Capacity Release Methodology Statement (ExCR) v10.1
- Entry Capacity Substitution Methodology Statement (ECS) v6.1
- Exit Capacity Substitution Methodology Statement (ExCS) v4.1
- Entry Capacity Transfer and Trade Methodology Statement (ECTT) v7.1

The formal consultation for the revised statements is anticipated to take place in May/June 2015.

In our response to the June 14 consultation we expressed concern that as IPs are covered by the existing licence definition of NTS Entry Point and NTS Exit Point, they are subject to all the same licence obligations. We remain of the view that it is not appropriate for IPs to be subject to the Entry Capacity Transfer (Transfer) and Entry Capacity Trade (Trade) obligations.

Currently we discharge the obligations to have Trade and Transfer processes through the Rolling Monthly Trade and Transfer System Entry Capacity (RMTnTSEC) auction. However IPs will not be part of this non-CAM auction, and capacity surrenders into this auction cannot be re-allocated to IPs. Similarly capacity surrenders through the IP surrender process are for a specific IP and cannot be reallocated to other locations. Therefore, it is not possible to mesh together the separate surrender processes for IPs and UK domestic points and move sold capacity to/from IP locations. Similarly the Transfer of unsold NTS Entry Capacity to/from IPs is also not possible, as IPs are not part of the RMTnTSEC auction process that facilitates this, and the cross over in timings between IP and non-IP auctions prevents it.

Additionally congestion at IPs is dealt with by processes governed through the EU codes, particularly the Congestion Management Procedures (CMP) guidelines which introduces the IP surrender process, and we believe duplicate governance in the licence could create unclear obligations for IPs.

For these reasons then we believe that the Trade and Transfer obligations in the licence should not apply to IPs. We do not believe it is optimal to alleviate ourselves of a licence obligation via the methodology statement, and believe that the exclusion of IPs from the Trade and Transfer processes should be through the licence.

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).

Yours sincerely



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