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Dear Paul,

Impact assessment of UNC modifications 0501V, 0501AV, 0501BV and 501CV ‘Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations’

We welcome the opportunity to respond to the above impact assessment. 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.

On 14 October 2013 the European Commission adopted rules on Capacity Allocation Mechanisms (CAM) to harmonize access to transmission capacity at applicable Interconnection Points (IPs) across the European Union. As a direct consequence of this, the current Bacton ASEP which includes both the United Kingdom Continental Shelf (UKCS) and IP points would need to be split to ensure that the GB Uniform Network Code (UNC) rules apply to UKCS points and the new EU Regulation apply to the IPs. To facilitate this, National Grid brought forward UNC Modification Proposal 0501 (subsequently amended to 0501V). We consider this Modification Proposal provides a reasonable approach to splitting Bacton holdings, whilst maintaining the Capacity “Ticket to Ride” User Commitment principle within the UNC. We have welcomed the industry engagement and alternative views / Modification Proposals brought forward in the associated Workgroups.

We note Ofgem aim to publish a final decision on which, if any, of the Modification Proposals to implement in July 2015. National Grid needs a decision published on these Modification Proposals before, or no later than, midday 21st July so that we can run the process to split the Bacton ASEP in accordance with the Modification Proposal timescales. This provides us with the absolute minimum lead time to publish the appropriate letters. We would therefore welcome a decision as early as possible to provide both Users and ourselves with the maximum lead time.

Questions raised by Ofgem and our views:

Have we identified the relevant quantitative impacts?

We believe the relevant quantitative impacts have been identified, namely the impact on the TO commodity charge, impacts on shipper flexibility and the costs of implementing 0501CV.

Have we modelled the impacts appropriately?

In general we believe that the impacts have been modelled appropriately.

We would like to take this opportunity to re-iterate our view that 0501CV should be User Pays and if implemented we will submit a change variation to the ACS.

Have we identified the relevant qualitative impacts?

We believe the relevant qualitative impacts have been identified. We note the following additional points:

- With regards to the Rebate Mechanism proposed under 0501CV and the purchasing of additional bundled capacity. This scenario could occur at other IPs such as Moffat, where a shipper holds existing unbundled capacity, and as such is a consequence of CAM / bundling, and is not a direct consequence of the Bacton ASEP split.
- If a scenario emerged where shippers cannot flow due to a lack of capacity rather than lack of system capability, then there are further short term tools available to National Grid to manage this. If the market needs further capacity then we can release discretionary interruptible capacity on top of the Use It Or Lose It (UIOLI) quantity at the day-ahead stage. Additionally, if baseline firm capacity has sold out (which historically has been very rare at the Bacton ASEP) then National Grid is also incentivised (subject to the risk versus reward mechanism) to release further firm capacity in the day ahead and within day auctions.

Is there further quantitative and/or qualitative evidence of the potential impacts of the proposed changes not covered by our analysis?

There is no further evidence that we can provide.

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 Matthew Hatch (Matthew.Hatch@nationalgrid.com – 01926 655893).

Yours sincerely

Steve Fisher

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