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Craig Dyke  
Gas Network Development  
Manager  
Transmission Network Service  
National Grid  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Your Ref: TEES\_HYD\_EXCS\_2018  
Direct Dial: 020 7901 7105  
Email: paul.branston@ofgem.gov.uk

Date: 4 November 2015

Dear Mr Dyke

**Consent to the National Grid Gas (NGG) proposal for exit capacity substitution as set out in the Exit Capacity Notice (Exit Substitution & Baseline Revision) in respect of Teesside Hydrogen National Transmission System (NTS) Exit Point**

Thank you for your letter received on 15 October 2015 outlining NGG's proposal to substitute NTS Non-Incremental Obligated Exit Flat Capacity<sup>1</sup> from Billingham ICI (Terra Billingham) to Teesside Hydrogen **in accordance with Special Condition 5G of NGG's gas transporter licence**. We<sup>2</sup> have decided to approve this request.

### **Background**

Exit Capacity Substitution is the process by which unsold baseline NTS Exit Capacity is moved from one or more NTS Exit Points (Donor Exit Points) to meet demand for new NTS Exit Capacity at another NTS Exit Point (Recipient Exit Point). Exit Capacity Substitution can avoid or defer the need for new investment to meet incremental capacity needs, and so help reduce the costs of gas transportation for gas customers.

### **The substitution proposal**

Your letter sets out a proposal to substitute unsold NTS exit baseline capacity between NTS Exit Points, Billingham ICI (Terra Billingham) and Teesside Hydrogen. This is in response to a request for 6,638,400 kWh/d of Enduring Annual NTS Exit (Flat) Capacity made at Teesside Hydrogen in the Annual July Exit Capacity Application Window. Your letter states that the capacity substitution will be undertaken at a 1.002999:1 exchange rate. This means that Billingham ICI (Terra Billingham) baseline will be reduced to 36,881,691 kWh/d and Teesside Hydrogen's baseline will be increased to 13,276,800 kWh/d. The substitution will be effective as of 1 October 2018.

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<sup>1</sup> In accordance with Special Condition 5G.

<sup>2</sup> The terms "we" and "our" are used to refer to the Gas and Electricity Markets Authority.

## **Our decision**

In your letter, you give evidence that you have made this proposal in accordance with your licence.<sup>3</sup> We are content that the proposed Exit Capacity Substitution is consistent with your Exit Capacity Substitution methodology.<sup>4</sup> Annex A provides the detail of the approved NTS Non-Incremental Exit Flat Capacity Substitution. The methodology aims to promote the economic and efficient development of the NTS, by seeking to minimise the amount of infrastructure investment to meet incremental demand for Exit Capacity.

As a result, we approve the proposal to substitute the capacity as set out in your Exit Capacity Notice.

Yours sincerely

**Paul Branston**  
**Associate Partner, Gas Networks**

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<sup>3</sup> Special Condition 5G

<sup>4</sup> <http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Exit-Capacity-Substitution-and-Revision-Methodology-Statement/>

## Annex A – Tables of Approved NTS Non-Incremental Exit Flat Capacity Substitution

**Table 1: Approved Proposed Non-Incremental Exit (Flat) Capacity Substitution**

Recipient NTS Exit Point	Donor NTS Exit Point	Capacity Substituted from Donor(s) (kWh/d)	Exchange Rate Recipient: Donors	Substitution effective date
Teesside Hydrogen	Billingham ICI (Terra Billingham)	6,658,309	1.002999:1	01/10/2018

**Table 2: Approved Baseline Modification Proposal**

NTS Exit Point	Recipient /Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (kWh/d)
Teesside Hydrogen	Recipient	6,638,400	13,276,800	0
Billingham ICI (Terra Billingham)	Donor	43,540,000	36,881,691	3,237,148