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for energy consumers

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Date: 20 September 2017

Dear Craig

### **Decision not to veto National Grid Gas plc's (NGG's) proposal for exit capacity substitution at Sutton Bridge Power Station**

Thank you<sup>1</sup> for the Notice dated 31 August 2017 outlining NGG's proposal to substitute unsold capacity to the Sutton Bridge Power Station National Transmission System (NTS) exit point from 1 October 2018. The Notice also explained your proposal to release non-obligated exit capacity at Sutton Bridge Power Station between 1 October 2017 and 30 September 2018.

In accordance with Special Condition 5G of your gas transporter licence, we<sup>2</sup> have decided not to veto the substitution of unsold exit capacity to Sutton Bridge Power Station. The reasons for our decision are explained below.

#### **Background**

Exit capacity substitution is a process which moves unsold baseline NTS Exit Capacity from one or more NTS points ("Donor Points") to meet the demand for additional capacity at another NTS point (the "Recipient Point").<sup>3</sup> The substitution of capacity between NTS points minimises the need for network investment to deliver additional capacity, and so helps reduce transmission costs for consumers. This delivers real benefits for consumers. In this instance there is no additional cost to consumers of making this capacity available.

Special Condition 5G sets out that, amongst other things, we must be notified if you intend to substitute unsold capacity to meet the demand for additional capacity at an NTS exit point. We have a 28-day period to veto any such proposal from the day the Notice is received.

#### **The substitution proposal**

On 17 March 2017, you received a competent Planning and Advanced Reservation of Capacity Agreement (PARCA) for 5.167 GWh/day of capacity at Sutton Bridge Power Station.

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<sup>1</sup> The terms "NGG" and "you" are used interchangeably in this letter.

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

<sup>3</sup> The exit capacity substitution process is explained in the 'Exit Capacity Substitution and Revision Methodology Statement' which can be found on NGG's website: <http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/exit-capacity-substitution-and-revision-methodology-statement/>

After undertaking network analysis and notifying industry in accordance with the PARCA process, you consider the capacity request can be met by substituting unsold exit capacity from Sutton Bridge DN and Wragg Marsh (Spalding Power Station) NTS points from 1 October 2018.

In particular, you propose to substitute the volumes of capacity as set out in the table below.

**Table 1: Substitution proposals**

Recipient Point	Donor Points	Capacity donated (kWh/d)	Capacity received (kWh/d)	Exchange Rate <sup>4</sup>	Total Exchange Rate
Sutton Bridge Power Station	Sutton Bridge DN	631,277	580,000	1.0884:1	1.0388:1
	Wragg Marsh (Spalding Power Station)	4,736,400	4,587,000	1.0326:1	

The substitution proposals would change the capacity baselines at the Donor and Recipient points as set out in Table 2.

**Table 2: Baselines at Donor and Recipient Points**

NTS Point	Recipient/Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (kWh/d)
Sutton Bridge Power Station	Recipient	37,470,000	42,637,000	0
Sutton Bridge DN	Donor	1,710,546	1,079,269	0
Wragg Marsh (Spalding Power Station)	Donor	42,020,000	37,283,600	37,283,600

The Notice also set out your intention to release non-obligated exit capacity at Sutton Bridge Power Station between 1 October 2017 and 30 September 2018. The release of non-obligated exit capacity is at your discretion and does not require Authority approval.

### Our decision

We have reviewed the proposed Exit Capacity Substitution set out in your Notice. We are content it is consistent with the processes and obligations explained in Exit Capacity Substitution and Revision Methodology Statement.

As a result, we have decided not to veto the proposal to substitute the capacity as set out in your Exit Capacity Notice.

Yours sincerely

**Chris Brown**  
**Head of Gas Systems**

<sup>4</sup> The exchange rate is the ratio capacity is substituted between Recipient and Donor Points. Capacity cannot be substituted if the exchange rate is greater than 3:1