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for energy consumers

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Your Ref : 2017 – Kings Lynn - ExCS

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Date: 15 December 2017

Dear Craig,

Approval of National Grid Gas plc's proposal for exit capacity substitution as set out in the Exit Capacity Notice (Exit Substitution and Baseline Revision) in respect of Kings Lynn Power Station National Transmission System Exit Point

Thank you for your letter received on 23 November 2017 outlining National Grid Gas plc's (NGG) proposal to substitute NTS Non-Incremental Obligated Exit (Flat) Capacity¹ from West Winch and Peterborough Distribution Network (DN) Exit points to Kings Lynn Power Station Exit Point. The proposal is in accordance with Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply) of NGG's gas transporter licence. We² have decided to approve this request.

Background

Exit Capacity Substitution is the process by which unsold baseline National Transmission System (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 from NTS Exit Points at West Winch and Peterborough Distribution Network (DN) Exit points to Kings Lynn Power Station Exit Point. This is in response to a request for 3,480,000 kWh/d of Enduring Annual NTS Exit (Flat) Capacity made at Kings Lynn Power Station in the Annual

¹ In accordance with Special Condition 5G.

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

July Exit Capacity Application Window. Your letter states that the capacity substitution will be undertaken at a 1:1 exchange rate between West Winch and Kings Lynn Power Station, and at a 1:1.9337 exchange rate between Peterborough and Kings Lynn Power Station.

This means that the baseline at West Winch will be reduced to 10,086,940 kWh/d³ and the baseline at Peterborough will be reduced to 21,534,205 kWh/d. Kings Lynn Power Station's baseline will be increased to 17,980,000 kWh/d⁴. The substitution will be effective as of 1 October 2020.

Our decision

In your letter, you give evidence that you have made this proposal in accordance with your licence⁵. We are content that the proposed Exit Capacity Substitution is consistent with your Exit Capacity Substitution and Revision Methodology Statement. 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 Substitution and Baseline Revision Notice.

Yours sincerely,

Natasha Zoe Smith
Head of Gas Systems

For and on behalf of the Gas and Electricity Markets Authority

³ This takes into account 720,000 kWh/d substituted from West Winch OT to Palm Paper from January 2018.

⁴ 3,480,000 kWh/d of the current baseline capacity is reserved for Palm Paper from January 2018.

⁵ Special Condition 5G.

Annex A

Proposed Non-incremental Exit Capacity substitution

Recipient NTS Exit Point	Donor NTS Exit Points	Capacity Donated (kWh/d)	Capacity Received (kWh/d)	Exchange Rate (Recipient : Donor)	Total Exchange Rate (Recipient : Donor)
Kings Lynn PS	West Winch OT	1,454,992	1,454,992	1 : 1	1 : 1.5433
	Peterborough OT	3,915,795	2,025,008	1 : 1.9337	

Baseline Modification Proposal

NTS Exit Point	Type ⁱ	Recipient / Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (kWh/d)
Kings Lynn PS	DC	Recipient	17,980,000	17,980,000	0
West Winch OT	DN	Donor	12,261,932	10,086,940	0
Peterborough OT	DN	Donor	25,450,000	21,534,205	1,208,682

ⁱ This describes the type of offtake, e.g. a direct connect party (DC) or a distribution network (DN).