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for energy consumers

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Your Ref : 2018-March-QSEC-IECR

Direct Dial: 020 7901 7159
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Date: 22 May 2018

Dear Craig,

Approval of National Grid Gas plc's proposal for entry capacity substitution as set out in the entry capacity substitution notice (Entry Capacity Baseline Revision) in respect of the Cheshire National Transmission System (NTS) Aggregate System Entry Point (ASEP)

You wrote to us on 25 April 2018 outlining National Grid Gas's proposal to substitute unsold Entry Capacity from the Partington entry point to meet a request for Firm Quarterly System Entry Capacity in excess of the prevailing baseline capacity level at the Cheshire NTS ASEP. The proposal is in accordance with Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply) of NGG's gas transporter licence. We¹ have determined that NGG must implement this proposal.

Background

Entry Capacity Substitution is the process by which unsold baseline NTS Entry Capacity is moved from one or more NTS Entry Points (Donor Entry Points) to meet demand for Entry Capacity at another NTS Entry Point (Recipient Entry Point). Entry 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.

Your letter incorrectly states that Ofgem *and* other NTS users have the right to veto capacity being made available via substitution. Only Ofgem has powers to veto such a proposal but other NTS users may seek to purchase capacity retainers² to protect unsold entry capacity from being substituted. This is a clear distinction and one which it is important to highlight.

The substitution proposal

NGG's letter sets out a proposal to substitute unsold NTS entry baseline capacity from the Partington NTS entry point. This is in response to a request for 13,567,500 kWh/d of additional entry capacity made at Cheshire NTS ASEP in the March 2018 Quarterly System

¹ The terms "we" and "our" are used to refer to the Gas and Electricity Markets Authority.

² Capacity retainers are described in NGG's Entry Capacity Substitution methodology in the Uniform Network Code.

Entry Capacity auction. NGG's letter states that the capacity substitution will be undertaken at a 1:1 exchange rate between Partington and Cheshire.

This means that the baseline at Partington will be reduced to 201,432,500 kWh/d. The substitution will be effective from 1 October 2019.

Our decision

You give evidence that NGG has made this proposal in accordance with NGG's licence³. We are content that the proposed Entry Capacity Substitution is consistent with your Entry Capacity Substitution and Revision Methodology Statement. Annex A provides the detail of the approved NTS Non-Incremental Entry 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 Entry Capacity.

As a result, we have determined that NGG must implement the proposal to substitute the capacity as set out in your Entry Capacity Baseline Revision Notice.

Yours sincerely,

Andrew Burgess
Deputy Director

For and on behalf of the Gas and Electricity Markets Authority

³ Special Condition 5F.

Annex A

Proposed Non-incremental Entry Capacity substitution

Recipient NTS ASEP Point	Donor NTS ASEP Point	Capacity Substituted from Donor (kWh/d)	Exchange Rate (Recipient : Donor)	Substitution date
Cheshire	Partington	13,567,500	1:1	01/10/2019

Baseline Modification Proposal

NTS ASEP Point	Recipient / Donor	Current Baseline (kWh/d)	Proposed Baseline (kWh/d)
Cheshire	Recipient	542,700,000	556,267,500
Partington	Donor	215,000,000	201,432,500