



Making a positive difference  
for energy consumers

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Date: 13 December 2018

Dear Chris

**Decision to grant National Grid Gas ('NGG') a consent to submit the modifications that you propose to make to three capacity methodologies unaccompanied by a statement from an Independent Examiner**

Thank you for your letter dated 12 November 2018 which asked us<sup>1</sup> to consent to you not providing a statement from an Independent Examiner to accompany the modifications that you propose to make to:

- The Entry Capacity Substitution Methodology Statement (the 'ECS').
- The Exit Capacity Substitution and Exit Capacity Revision Methodology Statement (the 'ExCS').
- The Entry Capacity Transfer and Entry Capacity Trade Methodology Statement (the 'ECTT').

in accordance with Special Condition 9A.7<sup>2</sup> of NGG's Gas Transporter's Licence ("the Licence").

We have decided to grant the consent for the reasons explained in this letter.

In your 12 November 2018 letter you also propose to submit to us for approval:

- The Entry Capacity Release Methodology Statement.
- The Exit Capacity Release Methodology Statement.

accompanied by a statement from an Independent Examiner, as required by the Special Condition 9B.9. We will publish a separate decision on the Examination Scope for these two Statements.

## Background

Special Condition 9A.6 of the Licence provides that the Licensee must, if so directed by the Authority, and in any event at least once in every two years, review the current methodologies and Capacity Methodology Statements ('the methodologies') in consultation

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<sup>1</sup> The terms "the Authority", "Ofgem", "we", "our" and "us" are used interchangeably in this letter. The Authority is the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>2</sup> [Special Condition 9A. Entry Capacity and Exit Capacity Obligations and Methodology Statements](#)

with specific parties and then seek to make such modifications to the methodologies as it considers reasonably necessary to better facilitate achievement of the capacity objectives.

Special Condition 9A.7 of the Licence provides that, unless the Authority otherwise consents in writing, the methodologies must be accompanied by a statement from an Independent Examiner ('the statement').

## Proposed changes

You told us that you have recently reviewed the five methodologies<sup>3</sup> and identified that only minor, housekeeping changes are required for the Entry Capacity Substitution Methodology, Exit Capacity Substitution and Exit Capacity Revision Methodology, and Entry Capacity Transfer and Entry Capacity Trade Methodology. The changes include:

- Updating the URL links;
- Updating your contact information;
- Updating calendar years for the period for which the ECS, ExCS and ECTT methodologies apply;
- Updating or removing information on Indicative Gas Flow Direction in the NTS for each LDZ from the Annex of the ExCS.

As a result, you conclude that little or no benefit would be gained from carrying out an independent examination for these three statements (i.e. the ECS, ExCS and ECTT).

## Our decision

We agree with you that the proposed changes set out above are minor and should not require substantial structural or text changes to the three methodologies. On this basis we agree that little additional benefit would be gained from receiving a statement from an Independent Examiner on the changes to these three methodologies.

**We therefore consent** to the proposed housekeeping modifications to the *Entry Capacity Substitution; Exit Capacity Substitution and Exit Capacity Revision; and Entry Capacity Transfer and Entry Capacity Trade Methodology Statements*, described in your letter, being submitted to us for approval unaccompanied by a statement from an Independent Examiner, in accordance with Special Condition 9A.7 of the Licence.

Note that should circumstances change in the future we may reconsider our consent, in particular if the proposed modifications to the three methodologies contain additional and unanticipated changes beyond those outlined in your letter.

Please also note that this consent does not fetter our discretion under Special Condition 9A of the Licence. That determination on the changes to the methodologies will be made in the light of all relevant facts and circumstances including the feedback received through the consultation processes set out in Special Condition 9A.

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<sup>3</sup> The review of the five methodologies has – among others - identified the need for a review of the current Economic Test, which is part of the Entry Capacity Release Methodology, including the review of the need for the Economic Test in cases where demand for capacity can be met by Substitution. In your view and on the basis of your evaluation, the changes to the Test will fundamentally affect the Entry Capacity Release Methodology. You expect moderate changes in respect to the Exit Capacity Release Methodology.

This letter has been made available on our website. You can contact Lea Slokar at [Lea.Slokar@ofgem.gov.uk](mailto:Lea.Slokar@ofgem.gov.uk) or on 020 7901 7005 if you have any questions about this decision.

Yours sincerely

**David O'Neill**  
**Head of Gas Systems**