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1st July 2019

WWU response to Ofgem informal consultation regarding new entry and exit points with zero baseline capacity

Dear David,

Thank you for the opportunity to respond to the consultation. Wales & West Utilities is a gas transporter serving 2.5 million supply points in Wales and south west England. We are responding to this consultation because we want to prevent unintended impacts on customers connected to our network and ensure fair access to NTS capacity.

We note the points made in Ofgem's letter regarding the process of approving new entry and exit points on the NTS and also the consultation in December 2018.

The proposal in the informal consultation is:

- not to include new NTS entry and exit points with zero baseline capacity in the National Grid licence but in a new Zero Licence Baseline Exit Capacity Table with a simplified process for adding exit points
- any new Zero Licence Baseline Capacity Exit Point will be removed from the proposed Table if Licence Baseline Exit Capacity is created by an amendment to the NTS licence.
- existing NTS exit points that have zero baseline capacity will not be moved to the new table.

In summary new exit points with zero capacity will be in the new table and most exit points in the licence will probably have non-zero Baseline Exit Capacity but this may not always be the case.

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WWU raised UNC modification proposal 0671 “New Capacity Exchange process at NTS exit points for capacity below baseline” in October 2018. During workgroups in 2019 it became clear that baseline NTS capacity was a key issue. National Grid acknowledged that they had licence obligations to make obligated capacity available but said that they have a constraint management incentive to build to an efficient level and there was an expectation that NTS may use commercial tools or other mechanisms to manage constraints where capacity was not available. It was also clear that current processes and drivers, for example around the need for User Commitment, were not well understood by workstream participants.

Ofgem, in their December 2018 GT2 sector specific consultation, noted in paragraphs 5.54 to 5.58 that substitution and the effect of the the network capability review on the level of capacity available were important issues. Paragraph 5.59 listed the issues that Ofgem expected National Grid to look at in its Business Plan:

- Economic Test for Capacity that can be met by substitution
- Could lead time for substitution be reduced
- Appropriateness of User Commitment
- Degree of Ofgem involvement in process
- Whether current nodal arrangements for substitution are appropriate

Many of these issues are related to the question of baseline capacity and whether and how it can be moved. These in turn are related to User Commitment which is in turn affected by changes in how National Grid charges for NTS capacity.

Given the uncertainty around NTS capacity pricing at that time due to modification 0678 and its alternatives and with a general expectation that National Grid would develop proposals as part of their July 2019 Business Plan to consider the issues listed above, we stated that we would defer work on this modification until August. A link to the WWU presentation is below:

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-04/Capacity%20Exchange%20Presentation%200671%20v3.0.pdf>

We therefore think that until the clarity has provided on the numerous issues raised above, then the changes proposed in this informal consultation should be **not** be implemented. We appreciate that this response has come late in the process, however these issues have only been identified during very recent discussions around our 0671 modification proposal. We propose that all changes to the NTS Exit Capacity processes should be considered through a co-ordinated process so that interactions between them can be properly considered.

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If you wish to discuss this response further please contact either Bethan Winter (Systems Operations Manager) Bethan.Pomroy@wwutilities.co.uk or Richard Pomroy (Commercial Manager) Richard.Pomroy@wwutilities.co.uk



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