

The Joint Office, Relevant  
Gas Transporters, shippers and other  
interested parties

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[www.nationalgrid.com](http://www.nationalgrid.com)

Dear Colleague,

## **Consultation on the NTS Exit Capacity Release Methodology Statement (IExCR) in respect of the Interim and Transitional Periods.**

The Authority (“the Gas and Electricity Market Authority”) decision that allowed the sale of gas distribution networks by National Grid in May 2005 concluded that NTS offtake arrangements required reform to be introduced in two phases:

- “Interim Arrangements” to establish the new commercial framework recognising the new NTS/DN interface; and
- “Enduring Arrangements” (by September 2005) to introduce more market based arrangements effective from Gas Year 2008/09 consistent with the Authority’s November Final Impact Assessment (“National Grid NTS – Potential sale of gas distribution network business” 255/04a) with regard to NTS Exit Capacity reform.

It was envisaged that the Enduring Arrangements would be introduced shortly after completion of the network sales process. However, on 24 June 2005 the Authority announced the delay to the implementation of the Enduring Arrangements until 2007 for release of NTS Exit Capacity and NTS Offtake Capacity rights from Gas Year 2010/11 to permit more time to consider and refine the detail of these arrangements. Transitional Arrangements were therefore developed to cover the two intervening years between the end of the Interim Arrangements and the commencement of the Enduring Arrangements. This included the extension of the Interim Exit Capacity Release (IExCR) Methodology Statement to cover the Transitional Arrangements.

The Authority, in its decision letter on UNC Modification Proposal 0116v (and alternates) “Reform of the NTS Offtake Arrangements”, delayed implementation of the Enduring Arrangements until April 2008 in respect of capacity made available from October 2011. The Authority’s decision to implement Proposal 116V was subsequently appealed and the appeal upheld. Consequently the Authority is now reconsidering the five Modification Proposals that were raised in relation to Reform of the NTS Offtake Arrangements. An additional UNC Modification Proposal (0195 – “Introduction of Enduring NTS Exit Capacity Arrangements”) has been raised with the intention of this being considered alongside the five other Proposals.

In light of these developments, National Grid NTS recognises that the exit process is unlikely to be completed and the respective Proposal implemented by 1 April 2008, thereby creating some

uncertainty around capacity booking arrangements for Gas Year 2011/12. National Grid NTS is therefore raising UNC Modification Proposal 0198 (“Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points”) in order to extend the relevant sunset clauses for a further one year thereby extending the Transitional Arrangements until September 2012.

Special Condition C18 of National Grid NTS’s Gas Transporter Licence in respect of the NTS places an obligation on National Grid NTS to prepare and submit for approval by the Authority an NTS Exit Capacity Release Methodology Statement setting out the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators.

This letter therefore notifies gas shippers and DN operators of National Grid NTS’s proposed NTS Exit Capacity Release Methodology Statement in respect of the Interim and Transitional Periods (the “IExCR”, which accompanies this letter), and invites views on these proposals.

The principle changes to the existing statement are:

- 1) updating the statement for the additional year which is now covered by the Transitional Period,
- 2) removal of the table of Initial Volume Allocations (IVA). There is now no reference to IVAs in the Licence,
- 3) the inclusion of processes for the release of “existing” capacity. The C18 licence obligation no longer refers to an “incremental” exit capacity release methodology statement, and
- 4) inclusion of a summary table and definitions section.

Responses to the proposed IExCR should arrive at National Grid by 17:00 on 14<sup>th</sup> March 2008. They should be sent to:

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Alternatively they can be sent by e-mail to:  
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Unless marked confidential National Grid NTS will place all representations received on its website.

If you wish to discuss any aspect of this letter please contact me on 01926 656217.

Yours sincerely

Andrew Fox