

National Grid Gas's Preliminary Consultation on Capacity Methodologies and Statements

15 February 2019

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HM Treasury.

Energy UK welcomes the opportunity to comment on this preliminary consultation.

We maintain our long-held view that these methodology statements should be incorporated into the UNC, as this would provide for more appropriate open governance and be more efficient since duplication of effort would be avoided. The recent implementation of UNC modifications 0616S and 0628S which now require changes to the methodology statements would support this as would the proposals 0667 and 0671 which are both seeking changes to the UNC to manage issues currently contained in the methodology statements.

There are also a number of references in the covering letter to making changes to the methodology statements in preparation for UNC or licence changes which seems rather back to front. We maintain our view that this dual approach is inefficient and unhelpful.

We provide initial comments against each of the subheadings, we have not reviewed the marked up drafts but will endeavour to do so at the time of the formal consultation.

Flow Diagrams

Energy UK considers that these should remain part of the ExCS, until similar or better information is available to help parties understand flows on the system, and the potential risks of capacity substitution.

UNC modifications that have been implemented

Energy UK supports changes that relate to these proposals.

We are not convinced that other changes should be made yet in relation to future changes.

Transmission Charging Review

This section again refers to issues that are anticipated but have not happened yet; the clearing obligation and economic test. We consider changes to the methodology statements should only occur once UNC and / or licence changes have happened or at the very least are being consulted upon in parallel.

Given that a UNC proposal 0667 has been raised with respect to the User Commitment at entry, we think that if National Grid suggests an alternative approach it should do so through an alternative to this proposal. This would help industry to consider the proposals in parallel, rather than have the current situation where the interactions between the two proposals are unclear.

We are not convinced that a duration requirement is needed in addition to meeting at least 50% of the estimated project costs and would like to understand the rationale for National Grid's view on this.

Ofgem RIIO Consultation

We agree the RIIO consultation raises a number of issues, which cannot all be addressed at this time. NG considers that its proposal for the economic test for entry capacity achieves this. We note that exit also needs to be considered, with UNC proposal 0671 exploring some aspects of this issue. However, we consider a more general solution is needed for exit capacity and have reservations with the 0671 proposal where the physical exchange rates may not be 1:1.

PARCAs

Energy UK welcomes National Grid's proposal in response to stakeholder concerns, and agree that processing ad-hoc requests received during a PARCA window should provide for a similar outcome to the ad-hoc QSEC auctions at entry.

Daily Capacity Auctions

National Grid raised the issue of not releasing daily capacity into a constraint a couple of years ago. We did not support it at that time nor do we now. It would be helpful if National Grid can explain what has changed since then so that the idea should be re-considered.

National Grid should follow the rules in the UNC for the release of capacity at exit and entry, we do not believe it is appropriate that capacity release should be limited, by a methodology statement, in the event of a constraint as National Grid receives funding to manage such constraints. If National Grid wishes to pursue this change it should raise a UNC proposal so it can be fully considered.

For further information contact:

Julie Cox

Head of Gas Trading
Energy UK
26 Finsbury Square
London EC2A 1DS

Tel: +44 1782 615397

julie.cox@energy-uk.org.uk

www.energy-uk.org.uk