

By email

Chris Logue
National Grid
Warwick Technology Park
Warwick, CV34 6DA

16th April 2021

RE: National Grid Transmission's Consultation on Capacity Methodology Statements

Dear Chris,

South Hook Gas Company Ltd (SHG) welcomes the opportunity to offer our opinion and views on the proposed changes described in National Grid Gas' (NGG) formal consultation on the Capacity Methodologies and Statements dated 19th March 2021 (Consultation). In summary, we support the changes proposed in the Consultation to the Entry Capacity Release Methodology Statement (ECR). We have proposed some drafting refinements to paragraph 54 of the ECR below for your review and consideration to clarify the proposed amendments. We have no position on the changes proposed in the Consultation to the Exit Capacity Release Methodology Statement, Entry Capacity Substitution Methodology Statement or the Exit Capacity Substitution and Revision Methodology Statement.

SHG manages and owns the primary capacity at the South Hook LNG terminal located at Milford Haven in South Wales. SHG is party to a PARCA (Planning and Advanced Reservation of Capacity Agreement) dated 14 March 2019 in respect of incremental entry capacity for the Milford Haven ASEP and is currently in Phase 2 of such agreement.

SHG previously raised UNC Modification 0667 to make changes to the NPV test associated with the release of incremental obligated entry capacity. SHG considers that the current regime as defined in the ECR requires excessive amounts of incremental obligated entry capacity to be signalled due to the unconstrained nature of the NTS and this has been further exacerbated by the capacity pricing and booking behavioural changes following the implementation of UNC Modification 0678A. Therefore, lowering the User Commitment period from 16 quarters to 4 quarters for both substitution and incremental capacity pursuant to the proposed amendments to paragraphs 54(b) and 54(c) of the ECR results in User Commitment tests which better reflect the current usage of the NTS, allowing for more economic and efficient signalling of capacity.

Without prejudice to our support of the proposed changes to the ECR, please find below some suggested refinements to paragraph 55 (please note that this is currently numbered as a second paragraph 54 in the proposed ECR so the cross-references will need to be checked throughout) for your review and consideration. We hope that this will clarify the intent of the provision:

"55. A PARCA (see chapter 5 for more details) can be used by Shipper Users and Reservation Parties to reserve existing Obligated Entry Capacity as well as Incremental Obligated Entry Capacity. Any capacity applied for through a PARCA will only be reserved where the capacity application can be satisfied:

- (a) From any Available NTS Entry Capacity at the point in question, in which case the PARCA minimum duration quantity shall be as per UNC Section B 1.17.7(c)(ii)26; or
- (b) By entry capacity substitution, in which case the PARCA minimum duration quantity shall be the application amount signalled in 4 quarters of a 32-quarter period, where quarter 1 of the 32-quarter period is the first quarter capacity is requested for, with those 4 quarters being in 4 different years; or

(c) By the release of Incremental Obligated Entry Capacity, in which case the PARCA minimum duration quantity shall be as per the rule above for substitution, para 55(b).”

We hope this response is of assistance and should you wish to discuss further or have any further questions please contact me on abates@southhookgas.com or +44 (0)20 7234 3505.

Adam Bates

Regulatory and Commercial Executive
South Hook Gas Company Ltd.