



# **Formal Consultation on Capacity Methodology Statements**

## **Conclusions Report**

**30<sup>th</sup> January 2015**

## Executive Summary

### Introduction

National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS ("the Licence") sets out obligations to develop and modify the:

- Entry Capacity Release Methodology Statement ("ECR"); and
- Exit Capacity Release Methodology Statement ("ExCR"); together, the capacity release methodology statements defined in Special Condition 9B, and
- Entry Capacity Substitution Methodology Statement ("ECS"); and
- Exit Capacity Substitution Methodology Statement ("ExCS"); together, the Capacity Methodology Statements defined in Special Condition 9A.

National Grid has been working closely with industry to develop the processes for the delivery of long term NTS Entry / Exit Capacity. This has ultimately resulted in the Authority decision to implement UNC Modification 0465V: "Introduction of the Planning and Advanced Reservation Capacity Agreement (PARCA), Weighted Average PARCA Security" with effect from 2<sup>nd</sup> February 2015. This modification develops the long term NTS Entry and Exit Capacity release mechanisms and introduces the reservation of Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity through a Planning and Advanced Reservation of Capacity Agreement.

To facilitate the implementation of UNC Modification 0465V, Ofgem have directed that a number of changes will be made to the Licence. Details of these changes can be found on the [Ofgem website](#)<sup>1</sup>.

On the 11<sup>th</sup> December 2014 NG NTS invited all interested parties to comment on the potential revisions to the methodology statements through the formal consultation process.

This document sets out NG NTS' conclusions on the formal consultation for the potential methodology statements. It provides a summary of the representations received, NG NTS' response to those representations and an indication of whether, as a result of such representations, any changes have been made to the proposed statements. The responses received were not marked as confidential and can be found on National Grid's web site at: [www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/](http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/)

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<sup>1</sup> [https://www.ofgem.gov.uk/publications-and-updates/decision-licence-changes-implement-planning-and-advanced-reservation-capacity-agreements?utm\\_medium=email&utm\\_source&utm\\_campaign=5111812\\_Daily-Alert\\_08-12-2014&utm\\_content=Decision+on+Licence+changes+to+implement+Planning+and+Advanced+Reservation+of+Capacity+Agreements](https://www.ofgem.gov.uk/publications-and-updates/decision-licence-changes-implement-planning-and-advanced-reservation-capacity-agreements?utm_medium=email&utm_source&utm_campaign=5111812_Daily-Alert_08-12-2014&utm_content=Decision+on+Licence+changes+to+implement+Planning+and+Advanced+Reservation+of+Capacity+Agreements)

## Responses

Representations were received from four respondents listed below.

- Interconnector (UK) Limited IUK
- British Gas Trading BGT
- Energy UK EUK
- Wales & West Utilities WWU

The more substantive issues raised relate to:

- The potential for Authority veto of substitution proposals at the point of allocation, and the potential to create uncertainty and risk for new projects.
- Whether it is appropriate for Entry Capacity at Interconnection Points to be considered as Substitutable capacity.

Detailed comments from respondents and NG NTS' responses are provided in the following table. In order to keep this report to a manageable length, responses may have been edited. Interested parties are advised to read the full responses found on National Grid's web site at:

[www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/](http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/)

**Interconnector UK (IUK) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>1 – Entry Capacity Substitution Methodology Statement</b>					
IUK	1.1	General Comments	We believe it is important that the approach to NTS entry capacity substitution is consistent with the NTS exit capacity substitution methodology which correctly recognises NGG's obligations under the Security of Supply Regulation and also European Third Energy Package requirements in terms of making maximum technical capacity available cross border. Under this approach, as a minimum, the interconnector capacity would be protected from any substitution.	<p>Under the current methodology statements it is possible that Entry Capacity can potentially be substituted away from any ASEP, including Interconnection Point ASEPs. We recognise that this may have an impact on obligations with respect to EU regulations however we believe there are sufficient safeguards in place, for example the use of Capacity Retainers, which allow a User to exclude entry capacity at potential donor ASEPs from being treated as Substitutable Capacity.</p> <p>We believe that where an incremental signal has been received which could be satisfied via substitution from an Interconnection Point ASEP, it is appropriate to make the substitution proposal to Ofgem. Ofgem can then consider the merits of any such proposal and how it relates to the EU regulations.</p>	No change
IUK	1.2	General Comments	We also question if the proposed Bacton IP ASEP can be compared directly with other other GB entry ASEPs in the future, noting that different allocation, incentive and potentially tariffs will be applied to the Bacton IP ASEP under European Network Code obligations.	We recognise that there are broader considerations with respect to substitution involving Interconnection Point ASEPs; these would be discussed with Ofgem prior to them making a decision regarding any such proposals. We will continue to review the methodology statements as part of the	No change

				commercial change process.	

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>2 – Exit Capacity Substitution Methodology Statement</b>					
IUK	2.1	General Comments	We support the continued approach outlined in this statement where IPs remain ring fenced from substitution. This recognises NGG's obligations under the European Security of Supply Regulation and also Third Energy Package requirements in terms of making maximum technical capacity available cross border. We believe that this approach should also be taken in the entry capacity substitution methodology.	We appreciate your comments in support of the approach to substitution at Exit Interconnection Points and welcome your thoughts in relation to the equal treatment of the Entry & Exit Capacity substitution.	No change

**British Gas Trading (BGT) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>1 – General Comments</b>					
BGT	1.1	General Comments	A PARCA never guarantees that incremental capacity will be provided to a PARCA applicant. This may be due to planning approvals not being obtained or by the Authority’s vetoing of any capacity substitution associated with the delivery of the capacity. The methodology statements therefore need to be careful when making such claims.	We agree that the use of the word guarantee may be misleading and that rewording of the relevant paragraphs may be appropriate.	Reworded paragraphs where appropriate. Please see specific paragraph changes included in this document.
BGT	1.2	General Comments	Governance around the provision of incremental capacity is becoming very segmented and unwieldy. To fully appreciate the full picture that may relate to a PARCA an applicant would need to understand the provisions of: National Grid Gas Transmission’s licence; the Uniform Network Code; the relevant Capacity Release methodology Statement; the relevant Capacity Substitution Statement; and the PARCA contract.	We consider that there is merit in a future review of the complexity involved and looking at how the various statements can be simplified. We anticipate being able to consider this after the EU change Methodology Statement review process is complete.	No change

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>2 – Exit Capacity Release Methodology Statement</b>					
BGT	2.1	Paras 12 and 13	References to having guaranteed delivery of capacity needs to be more carefully caveated to reflect the fact that, in the case of PARCA applications, Ofgem could decide to veto substitution proposals towards the end of Phase 2. As such, National Grid cannot provide guarantees where capacity substitution provides part of the capacity delivery proposals.	We agree that the use of the word “guarantee” may be misleading and that rewording of the relevant paragraphs is therefore appropriate.	Redrafted wording: Para 12a: “...Subject to any necessary planning approval being granted, it is only through the PARCA that <del>a guarantee of</del> timely delivery of <b>Incremental Obligated Exit Capacity</b> is possible, <del>as</del> it is the delivery of any Works that drives the lead times to deliver additional capacity, until capacity is allocated.”

					<p>Para 13:  <del>“Subject to the terms of the PARCA,</del>          eCapacity will be <del>allocated</del> <b>guaranteed</b> to the User or Nominated User in the quantity requested and, if available, including a level of capacity tolerance, by the date determined <del>pursuant to the PARCA,</del> <b>subject to the terms of the PARCA.”</b></p> <p>Para 13, Footnote 7:          “In the absence of a PARCA, <del>there will be no guarantee of the availability of</del> capacity in excess of the level of unsold <b>Obligated Exit Capacity</b> at the relevant location by any specific date <del>may be made available through. A User will still be able to request capacity via</del> other application processes and National Grid will assess its ability to meet such requests in accordance with the further provisions of UNC and this Statement.”</p>
BGT	2.2	Para 20	Suggest you refer to “quantity” instead of “volume” of “Incremental Obligated Exit capacity”.	Agree.	<p>Redrafted wording:</p> <p>Paragraph 20:          “Under Special Condition 5G of the Licence, National Grid must publish information that provides details of the proposed reservation of Incremental Obligated Exit Capacity. This will state the <del>quantity volume</del> of Incremental Obligated Exit Capacity proposed to be treated as...”</p> <p>ECR Paragraph 22 (<i>comments were not received for this paragraph but it is equivalent to ExCR paragraph 20 which is being updated following this comment</i>):</p>

					“Under Special Condition 5F of the Licence, National Grid must publish information that provides details of the proposed reservation of Incremental Obligated Entry Capacity. This will state the <del>quantity volume</del> of Incremental Obligated Entry Capacity proposed to be treated as...”
BGT	2.3	Para 21	The recognition that if the “Authority vetoes substitution proposals” that “this may mean that capacity is allocated in a smaller quantity than requested, is allocated with a longer lead time, or may not be allocated at all” emphasises the point made for paragraphs 12 and 13 – the PARCA process cannot guarantee delivery of capacity as planned where capacity substitution is being relied on. <u>This is a major drawback and flaw with the PARCA process and we ask National Grid to consider what remedies might be considered and suggested to the Authority to overcome this.</u>	We agree and believe this has been addressed through changes to the following paragraphs: <ul style="list-style-type: none"> <li>• 76 of the ExCS,</li> <li>• 19 of the ExCR,</li> <li>• 87 of the ECS, and</li> <li>• 21 of the ECR</li> </ul> which reflect discussions we have recently had with Ofgem and Energy UK.	Redrafted wording:  ExCS para 76 (similarly for ECS para 87): “On completion of the above analysis (and any adjustments pursuant to paragraph 75) the effects of the exit capacity applications and accepted Exit Capacity Substitutions will be recorded and proposed to the Authority in the Exit Capacity notice. This notice, outlined in paragraph 77, will be submitted <del>ahead at the time</del> of allocation of capacity to the requesting User. However, in respect of a PARCA, following the reservation of capacity pending substitution, National Grid will inform the Authority of that potential capacity substitution at the time of reservation. This will be at the conclusion of the Phase 1 PARCA Works, <sup>2</sup> after network analysis has identified Exit Capacity Substitution opportunities, but before (potentially several years before) capacity is allocated to the PARCA signatory at the recipient NTS Exit Point. The formal Exit Capacity notice shall be submitted <del>at the time ahead</del> of allocation in accordance

<sup>2</sup> Additional proposals may be made to the Authority in the event that circumstances change between the end of Phase 1 and allocation of capacity. Such circumstances may include Substitutable Capacity becoming available through a User reducing its registered Capacity.

					with Licence Special Condition 5G, at a time deemed appropriate following discussions with the PARCA Signatory.”  ExCR para 19 (similarly for ECR para 21): “... Unless directed to the contrary within 28 days of the date of submission of this notice, National Grid shall implement the proposals, as set out within the Exit Capacity notice...”
BGT	2.4	Para 47	Similar comment as for paragraphs 12, 13 and 21 – the PARCA will not offer “certainty” where substitution is involved.	Agree, the relevant part of paragraph 47 will be reworded to clarify.	Redrafted wording:  “At any time, by -successfully applying for a PARCA. This is the only way that <del>Users will have certainty that</del> <b>Enduring Annual NTS Exit (Flat) Capacity</b> will be available to Users allocated, where <del>such</del> the allocation of that capacity would result in <del>requires</del> the release of...”
BGT	2.5	Para 69	It would be useful to have transparency over when the Revenue Driver is agreed between National Grid and the Authority. Ideally, such agreement would coincide with any decision the Authority makes on the application of capacity substitution as part of the solution and for such decisions to take place close to the commencement of Phase 2 of the PARCA process.	The Generic Revenue Driver Methodology Statement <sup>3</sup> (Chapter 1, paragraph 26) states that this will be no later than the start of the Phase 3 planning process.	No change
BGT	2.6	Para 74 (c)	The first word should be “may” not “shall” because the PARCA contract might provide for non-payment in the event that National Grid gives rise to the termination.	Agree, the contract sets out the conditions where we will invoice or not for the PARCA termination amount.	Redrafted wording: 74c) “ <del>shall</del> may, in the event of termination of the PARCA, be invoiced for the PARCA Termination Amount pursuant to the PARCA....”
BGT	2.7	Para 115	It would be worth reconsidering whether the User Commitment restriction applying to potentially substitutable capacity should be removed as it could lead to sub-optimal decisions.	We agree that all aspects of the methodology statement should be kept under review however User Commitment is recognised as a	No change

<sup>3</sup> <http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/grd-methodology-statement/>

				fundamental principle of the capacity regime and we don't believe it is appropriate to address this through this methodology consultation.	
BGT	2.8	Paras 169 and 170	We commented on these in October 2013 in response to your previous consultation on the ExCR and are pleased to note that these have been removed (although we are aware that you may want to revisit the proposals at a later date).	We appreciate the recognition of this update.	No change

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>3 – Exit Capacity Substitution Methodology Statement</b>					
BGT	3.1	General Comment	Our main concern with capacity substitution (and this applies to both entry and exit) is the fact that the Authority will not make a reasonably early decision on whether or not to permit capacity substitution as part of the PARCA process. This undermines confidence in a process that set out to provide more certainty over the delivery of incremental capacity. As stated above, we urge National Grid to seek remedies to this situation.	We believe this has been addressed through changes to paragraphs: <ul style="list-style-type: none"> <li>• 76 of the ExCS,</li> <li>• 19 of the ExCR,</li> <li>• 87 of the ECS, and</li> <li>• 21 of the ECR</li> </ul> which reflect discussions we have recently had with Ofgem and Energy UK.	<i>See proposed changes for BGT-2.3.</i>
BGT	3.2	Para 22 I	The limitation, that Non-Incremental Obligated Exit Capacity unsold <u>before</u> 1 <sup>st</sup> October Y+4 is not substitutable, should be reviewed in the light of recent licence changes and the introduction of PARCAs. Our recollection is that this restriction was originally related to investment lead times. However, the rationale behind this ought to be reconsidered.	We would be happy to partake in any industry discussion on this matter. It may be useful to note that for PARCAs the substitution lead time of Y+4 is counted from the year of reservation, not the year of allocation (as described in footnote 11).	No change

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>4 – Entry Capacity Release Methodology Statement</b>					
BGT	4.1	Paras 11, 83 and 106	As with the ExCR, you need to ensure that suitable caveats are made when stating that provision of capacity will be guaranteed via a PARCA.	We agree that the use of the word “guarantee” may be misleading and that rewording of the relevant paragraphs is therefore appropriate.	<p>Redrafted wording:                      Para 11a:                      “...Subject to any necessary planning approval being granted, it is only through the PARCA that <del>a guarantee of</del> timely delivery of <b>Incremental Obligated Entry Capacity</b> is possible, <del>as</del> it is the delivery of any Works that drives the lead times to deliver additional capacity, until capacity is allocated.”</p> <p>Para 12 (<i>comments were not received for this paragraph but it is equivalent to ExCR paragraph 13 which is being updated following comment BGT-2.1</i>):  <del>“Subject to the terms of the PARCA,</del>                      Capacity will be <del>allocated</del> <del>guaranteed</del> to the Shipper User or Nominated User in the quantity requested and, if available, including a level of capacity tolerance, by the date determined <del>pursuant to the PARCA,</del> <del>subject to the terms of the PARCA.</del>”</p> <p>Para 12, Footnote 6: “In the absence of a PARCA, <del>there will be no guarantee of the availability of</del> capacity in excess of the level of unsold <b>Obligated Entry Capacity</b> at the relevant location by any specific date <del>may be made available through. A Shipper User will still be able to request capacity via</del> other auction processes and National Grid will assess its ability to meet such requests in accordance with the further provisions of UNC and this Statement.”</p>

					<p>Para 83:          “At any time, by applying for a PARCA. This is the only way that <del>Shipper Users will have certainty that</del> <b>Firm NTS Entry Capacity</b> will be available to Shipper Users allocated, where <del>such the</del> allocation of that capacity would result in <del>requires</del> the release of...”</p> <p>Para 106:          “...This is the only way that <del>Reservation Parties will have certainty that</del> <b>Firm NTS Entry Capacity</b> will be available for allocation to a Nominated User.”</p> <p>ExCR Para 51 (<i>comments were not received for this paragraph but it is equivalent to ECR paragraph 106 which is being updated following this comment</i>):          “...This is the only way that <del>Reservation Parties will have certainty that</del> <b>Enduring Annual NTS Exit (Flat) Capacity</b> will be available for allocation to a Nominated User.”</p>
BGT	4.2	Paras 21 and 99	We have the same concerns as with the ExCR – that a late veto by the Authority on capacity substitution will seriously impact on National Grid’s ability to meet a PARCA applicant’s capacity needs (as recognised in the final sub-paragraph of paragraph 23). Ideally, National Grid should seek a final decision on capacity substitution from the Authority early in Stage 2 of the PARCA process.	We agree and believe this has been addressed through changes to the following paragraphs: <ul style="list-style-type: none"> <li>• 76 of the ExCS,</li> <li>• 19 of the ExCR,</li> <li>• 87 of the ECS, and</li> <li>• 21 of the ECR</li> </ul> which reflect discussions we have recently had with Ofgem and Energy UK.	See proposed changes for BGT-2.3.
BGT	4.3	Para 101 (c)	The first word should be “may” not “shall” because the PARCA contract might provide for non-payment in the event that National	Agree, the contract sets out the conditions where we will invoice or not	Redrafted wording: 101c) “ <del>shall</del> <b>may</b> , in the event of

			Grid gives rise to the termination.	for the PARCA termination amount.	termination of the PARCA, be invoiced for the PARCA Termination Amount pursuant to the PARCA....”

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>5 – Entry Capacity Substitution Methodology Statement</b>					
BGT	5.1	Para 50	The default lead time of 42 months (for the delivery of Incremental Obligated Entry Capacity) ought to be reviewed in light of the emergence of PARCAs and changes to National Grid’s licence. This might also necessitate a review of the rules surrounding capacity retainers, retainer windows and retainer refunds.	We would be happy to partake in any industry discussion on this matter. It may be useful to note that for PARCAs the substitution lead time of Y+4 is counted from the year of reservation, not the year of allocation (as described in footnote 11).  National Grid welcomes your thoughts in relation to the rules surrounding the retainer process and would be happy to partake in any industry discussion on this matter.	No change
BGT	5.2	Para 89	This is of concern. Does this mean that substitution of capacity from Interconnection Points (as a Donor ASEP) might be constrained by requirements to first ensure that capacity is made available for bundling with an adjacent TSO’s capacity? We would welcome clarification and some examples.	We believe that where an incremental signal has been received which could be satisfied via substitution from an Interconnection Point ASEP, it is appropriate to make the substitution proposal to Ofgem. Ofgem can then consider the merits of any such proposal and how it relates to the EU regulations.	No change

**Energy UK (EUK) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>1 – General Comments</b>					
EUK	1.1		Energy UK considers that the framework for the release of Exit capacity is complex and fragmented; it is not user friendly for new entrants or even those closely involved with the development processes. To gain a full overview it is necessary to have an understanding of NG’s Gas Transmission licence, the UNC, the PARCA contract in addition to the capacity release and substitution methodologies. Reviewing the methodology statements to ensure they are consistent with the other documents and principles of how the arrangements are expected to operate is very time consuming. It is difficult to see who benefits from these methodologies as they do not provide a user friendly guide to the capacity arrangements. We continue to urge National Grid to seek way to streamline these documents and encourage Ofgem to undertake the promised review of the role of these statements at the earliest opportunity.	We consider that there is merit in a future review of the complexity involved and looking at how the various statements can be simplified. We anticipate being able to consider this after the EU change Methodology Statement review process is complete.	No change
EUK	1.2		Many of the comments below to specific paragraphs relate to the main weakness of the PARCA arrangements. Namely that it was designed by stakeholders with National Grid to provide certainty in the allocation of capacity to the reservation party once certain demonstration criteria had been met. However Ofgem’s role in the process, given its right to veto substitution requests and for it wishing to take that decision towards the end of Phase 2 of the PARCA process undermines the whole reason for establishing the PARCA contract and supporting processes. We urge National Grid to work with Ofgem to find a way to provide more certainty to developers and users at the time of capacity reservation that capacity to be delivered by substitution will not be vetoed at a later stage in the process since this potentially risks investment in gas-fired generating plant and ultimately electricity security of supply. Our initial thoughts are that NG should agree when the substitution application should be made as part of the PARCA contract, and that Ofgem’s veto / non-veto decision could be made conditional on other factors e.g. the substitution request is not-vetoed if the quantity and registration date remain unchanged. Energy UK and its members would be happy to	We agree and believe this has been addressed through changes to the following paragraphs: <ul style="list-style-type: none"> <li>• 76 of the ExCS,</li> <li>• 19 of the ExCR,</li> <li>• 87 of the ECS, and</li> <li>• 21 of the ECR</li> </ul> which reflect discussions we have recently had with Ofgem and Energy UK.	See <i>proposed changes for BGT-2.3.</i>

			engage with National Grid and Ofgem to seek a way forward on this important issue.		

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>2 – Exit Capacity Release Methodology Statement (and Entry Capacity Release Methodology Statement where relevant)</b>					
EUK	2.1	Para 12 &13	Concern that this appears to <b>guarantee</b> capacity when an Ofgem veto of a substitution request would not achieve that and could lead to the termination of the PARCA. Accept that this is detailed in the PARCA but seems confusing when the EXCR is read in isolation from the PARCA contract. The PARCA does not guarantee capacity allocation.	We agree that the use of the word “guarantee” may be misleading and that rewording of the relevant paragraphs is therefore appropriate.	Paragraphs updated Please see response to BGT-2.1.
EUK	2.2	Para 21	Query ‘substitution shall be confirmed following allocation of capacity at the recipient NTS exit point’ . PARCA clause 7.2.5 states allocation only takes place after non-veto by Authority.	Agree; the paragraph will be reworded.	Redrafted wording:  “...Any decision by National Grid to reserve capacity pending substitution (substitution shall be confirmed <b>ahead of following</b> allocation of capacity at the recipient NTS Exit Point) shall be published...”  ECR Paragraph 23 ( <i>comments were not received for this paragraph but it is equivalent to ExCR paragraph 21 which is being updated following this comment</i> ): “...Any decision by National Grid to reserve capacity pending substitution (substitution shall be confirmed <b>ahead of following</b> allocation of capacity at the recipient ASEP) shall be published...”

EUK	2.3	Para 21	<p>With respect to the second bullet the text beginning This may....                  Could be replaced by text from the PARCA contract clause 3.4 NGG shall discuss in good faith ....</p>	<p>Agree; the paragraph will be reworded.</p>	<p>Redrafted wording:</p> <p>“...In the event that:</p> <ul style="list-style-type: none"> <li>• ...</li> <li>• the Authority vetoes such substitution proposals (and any feasible alternatives) for capacity substitution notified pursuant to paragraph 19, National Grid will not substitute capacity from the donor NTS Exit Point to the recipient NTS Exit Point. Any resulting allocation of capacity at the NTS Exit Point specified in the PARCA pursuant to the terms of the PARCA. This may mean that capacity is allocated in a smaller quantity than requested; is allocated with a longer lead time; or may not be allocated at all. Any resulting allocations will be determined by the circumstances applicable to each case. Consequently National Grid may reconsider alternative options for example investment/contractual options following discussion of the options between National Grid and the counterparty pursuant to the terms to the PARCA.” <p>ECR Paragraph 23 (<i>comments were not received for this paragraph but it is equivalent to ExCR paragraph 21 which is being updated following this comment</i>):</p> <p>“...In the event that:</p> <ul style="list-style-type: none"> <li>• ...</li> </ul> </li></ul>
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					<ul style="list-style-type: none"> <li>the Authority vetoes such substitution proposals (and any feasible alternatives) for capacity substitution notified pursuant to paragraph 21, National Grid will not substitute capacity from the donor ASEP to the recipient ASEP. Any resulting allocation of capacity at the ASEP specified in the PARCA pursuant to the terms of the PARCA. This may mean that capacity is allocated in a smaller quantity than requested; is allocated with a longer lead time; or may not be allocated at all. Any resulting allocations will be determined by the circumstances applicable to each case. Consequently National Grid may reconsider alternative options for example investment/contractual options following discussion of the options between National Grid and the counterparty pursuant to the terms to the PARCA.”</li> </ul>
EUK	2.4	Para 47	This again suggests certainty of capacity allocation is provided by a PARCA when this is not the case in the event of a veto by Ofgem of a substitution request.	Agree	Paragraph updated – please see response to BGT-2.4
EUK	2.5	Para 69	If incremental obligated exit capacity includes capacity released by substitution then Phase 2 PARCA works are not relevant. Clarity on the timing of a revenue driver determination is needed.	The Generic Revenue Driver Methodology Statement <sup>4</sup> (Chapter 1, paragraph 26) states that this will be no later than the start of the Phase 3 planning process.	No change

<sup>4</sup> <http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/grd-methodology-statement/>

Formal Consultation Report – Proposed Capacity Methodology Statements

EUK	2.6	Para 74 c	First word should be may. The counterparty is not liable to pay the Termination Amount in all circumstances.	Agree, the PARCA contract sets out the conditions where we will invoice or not for the PARCA termination amount.	Paragraph updated. Please see response to BGT-2.6.
EUK	2.7	Para 107	Allocated would be better than registered here since in the PARCA contract the registration date is the day the capacity can be flowed against.	Agree	Redrafted wording:  “National Grid may not undertake any construction activities to reinforce the NTS until all the capacity reserved is <del>allocated registered</del> to one or more Nominated Users.”  ECR Paragraph 110 ( <i>comments were not received for this paragraph but it is equivalent to ExCR paragraph 107 which is being updated following this comment</i> ):  “National Grid may not undertake any construction activities to reinforce the NTS until all the capacity reserved is <del>allocated registered</del> to one or more Nominated Users.”
EUK	2.8	Para 115 b	This states that invitations to reduce capacity will not be issued to points where there is an outstanding user commitment. We raised this point previously and consider that such invitations should be issued otherwise inefficient investment could be made. Where there are concerns about the relative charges, exchange rates etc these can be addressed by the assessment of offers.	User Commitment is recognised as a fundamental principle of the capacity regime and we don't believe it is appropriate to address this through this methodology consultation.	No change

**EUK – ExCS Response (and ECS where relevant)**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>3 – Exit Capacity Substitution Methodology Statement (and Entry Capacity Substitution Methodology Statement where relevant)</b>					
EUK	3.1	Para 22 I.	The timescale here should be reviewed via further engagement with the industry since there is now a mismatch between the ‘leadtimes’ for substitution, 3 years, and for allocation of reserved capacity via a PARCA of 2 years.	We would be happy to partake in any industry discussion on this matter. It may be useful to note that for PARCAs the substitution lead time of Y+4 is counted from the year of reservation, not the year of allocation (as described in footnote 11).	No change
EUK	3.2	Para 76	this needs to be re-worded since it states that the Exit Capacity Notice will be submitted at the time of allocation of capacity. In respect of the PARCA processes allocation only takes place after the Exit Capacity notice has not been vetoed. Also Special Condition 5 G does not seem to require this.	We agree and believe this has been addressed through changes to the following paragraphs: <ul style="list-style-type: none"> <li>• 76 of the ExCS,</li> <li>• 19 of the ExCR,</li> <li>• 87 of the ECS, and</li> <li>• 21 of the ECR</li> </ul> which reflect discussions we have recently had with Ofgem and Energy UK.	See proposed changes for BGT-2.3.
EUK	3.3	Para 78	last part of this should be amended to be consistent with the PARCA clause 3.4 so that the parties meet in good faith to agree an alternative approach rather than capacity being allocated on a different date, in a reduced quantity or not at all .	Agree; the paragraph will be reworded.	Redrafted wording: <p>“The proposed adjustments to <b>Obligated Exit Capacity</b> as a result of Exit Capacity Substitution will be implemented subject to the Authority not vetoing the proposal in accordance with Special Condition 5G of the Licence. In the event that the proposal is vetoed National Grid will not revise the <b>Obligated Exit Capacity</b>. Consistent with the ExCR this may result in applications for <b>Enduring Annual NTS Exit (Flat) Capacity</b> being rejected, delayed or allocated in a reduced quantity. <b>Any resulting allocations will be determined following discussion of the options between National Grid and the counterparty pursuant to the terms to the PARCA.</b>”</p>

					<p>ECS Paragraph 90 (<i>comments were not received for this paragraph but it is equivalent to ExCS paragraph 78 which is being updated following this comment</i>):</p> <p>“The proposed adjustments to <b>Obligated Entry Capacity</b> as a result of Entry Capacity Substitution will be implemented subject to the Authority not vetoing (or directing to modify) the proposal in accordance with Special Condition 5F(9) of the Licence. In the event that the proposal is vetoed or agreement is not reached on any modification National Grid will not revise the <b>Obligated Entry Capacity</b> and may not release <b>Incremental Obligated Entry Capacity</b>. This may result in applications for <b>Quarterly NTS Entry Capacity</b> being rejected, delayed or allocated in a reduced quantity. <b>Any resulting allocations will be determined following discussion of the options between National Grid and the counterparty pursuant to the terms to the PARCA.</b>”</p>
EUK	3.4	Para 79	Also needs to recognise that substitution veto or non-veto takes place before allocation under the PARCA framework.		<p>Redrafted wording:</p> <p>“In the period <del>following allocation of capacity to Users, and</del> before substitution proposals are approved or vetoed, there will be uncertainty as to the quantity of unsold <b>Exit Capacity</b> available...”</p>

**Wales & West Utilities (WWU) Response**

Party	Issue	Paragraph	Response Quotes	NG NTS Response	Possible changes
<b>1 – Exit Capacity Release Methodology Statement</b>					
WWU			<p>For the reasons set out below, our view is that there are elements of the NTS Exit Capacity Release Methodology Statement and the Short Term Access to System Flexibility Allocation Methodology documents that are unclear and inconsistent. The documents give the impression that DNO Users and Shippers at NTS Exit points are treated differently in respect of requests for flexibility. The reference to terms that are not defined is likely to lead to different interpretations and seems likely to lead to inconsistent treatment.</p> <p>This is not helped by a lack of information about how many requests are received and what response was given.</p> <p>We suggest that NTS needs to review how it provides flexibility and take urgent steps to demonstrate both transparency and equitable treatment.</p>	<p>Thank you for your comments. The UNC and associated documents set out how different parties are treated in relation to varying flows. A broad review of NTS Exit (Flexibility) Capacity and its release will have wider industry consequences and therefore stakeholder interest. As such an industry wide review with any subsequent proposals being reflected within the methodology would appear to be the most appropriate approach.</p>	<p>No change</p>