

National Grid Consultation: Capacity Methodology Statements

Consultation Response

Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Energy UK welcomes the opportunity to provide comments to this consultation, we limit our comments to the exit related documents but expect the comments are also relevant to the entry methodologies.

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.

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

Exit Capacity Release Methodology Comments

Para 12 & 13 : concern that this appears to **guarantee** 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.

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.

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

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.

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

Para 74 c first word should be may. The counterparty is not liable to pay the Termination Amount in all circumstances.

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.

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.

Exit Capacity Substitution Methodology Comments

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.

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.

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.

Para 79 Also needs to recognise that substitution veto or non-veto takes place before allocation under the PARCA framework.

Energy UK would be happy to discuss these points further, in the first instance please contact Julie Cox, details below.

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