

National Grid's Informal Consultation on Capacity Methodology Statements

Consultation Response

Energy UK is the Trade Association for the energy industry. Energy UK has over 70 companies as members that together cover the broad range of energy providers and suppliers and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26million homes and last year invested over £10billion in the British economy.

Energy UK welcomes the opportunity to provide comments to this consultation. We consider that the concept of an informal consultation prior to the statutory licence change consultation is useful providing both early engagement with industry and early feedback to National Grid and Ofgem.

National Grid will be aware that Energy UK has previously called for the methodology statements to be incorporated into the UNC document to provide for standardised governance arrangements and reduce the need for UNC changes to be also reflected into the methodology statements leading to an increased administrative burden. We understand that Ofgem may consider this once the revised arrangements for reserving and booking incremental capacity are in place. However that does leave the industry the challenge of ensuring that the changes introduced by recent reforms and those yet to be implemented are fully and accurately reflected in the methodology statements. This task has become even more complex since the start of the new price control period. This saw the complexity and diversity of terminology and definitions in these documents increase substantially, particularly since the UNC and licence use different definitions. This makes these documents less accessible and even more difficult to decipher than before. We consider the original intent of the documents to provide clarity on the release of capacity has now been lost and we urge National Grid and Ofgem to consider the future of these documents.

Energy UK has identified three main concerns with the documents related to exit processes although we expect these to be replicated in the entry documents.

1. The statements seem to have been drafted prior to the amendments to the modifications which provided for a PARCA being agreed at the end of phase 1 in order to progress to phase 2, rather than at the start of phase 1.
2. We also have concerns over the potential for Authority veto of substitution proposals at the point of allocation, this may be several years after capacity has been reserved and has the potential to create uncertainty and risk for new projects. This arises since National Grid does not seek approval for substitution until allocation, but it does notify the Authority of the likely substitution in order to reserve capacity. We understand and acknowledge that there are benefits in formally making the substitution request later in the overall process; the substitution opportunities may change in the intervening period, capacity maybe reduced in the vicinity, flow assumptions may change. However we feel this needs to be better balanced against the requirements for new projects to have certainty that capacity will be made available according to the terms of the PARCA. We would welcome Ofgem and National Grid seeking ways to provide greater assurance in this regard.
3. It is not clear from the documents how multiple and interacting projects will be assessed whether the applications are received through the annual window or via a PARCA application. Some further discussion and clarity on this would be useful. For example if a

PARCA application can be met fully from existing capacity or substitution but there is an annual window during the phase 1 period and an application through that route takes the total requirement above that which can be met without investment. Which application is met? Or is neither met until both can be fulfilled?

Below we provide detailed comments:

Comments on Exit Capacity Release Methodology Statement

Para 13 – may be worth adding that delivery of incremental obligated capacity may be subject to planning approval in the anticipated timescales since PARCA alone cannot guarantee delivery of capacity

Para 15 – See point (1) above. Also it would seem unreasonable to call on the security if the PARCA is terminated for reasons beyond the control of the applicant or National Grid. The amount invoiced is not related to the Works

Para - 20, 21, 36 see point (2) above.

Para 49 - Clarity sought that if a project is sold the reserved capacity can be transferred in some way

Para 54 - Is this paragraph needed it seems to be repeating Para 53, are references to initialized capacity still required?

Para 57 - *reserved* should be *allocated* for consistency with 58 d

Para 65 b – see point (1) above. This needs to reflect that a PARCA is not entered into until after phase 1, should reference completion of Phase 1 of a PARCA and putting in place appropriate security for Phase 2

Para 71 – The generic revenue driver methodology has been agreed so text should reflect this

Para 72 - can this be deleted?

Para 73 a&b – these steps occur as part of Phase 1 before the PARCA is agreed

Para 73 b - this says *release* think this refers to registration so it may be better to use that term for more consistency with the UNC

Para 73 c – publish may be more appropriate than *inform all users*

Para 74 - see point (1) above

Para 82 & 92 this should be amended to make it clear that if a request is met through non-obligated exit capacity that cannot be withdrawn from that User / applicant. Rather if it is reduced at some point in time NG is not obliged to make non-obligated capacity available again at that point.

Para 105 – it may be more appropriate to replace *register* with *allocate*

Para 108 – agree that allocation takes place before construction but isn't registration the date of delivery of the capacity?

Para 113 – this seems to prevent reduction at points where there is an ongoing user commitment, unless meeting an incremental request at that point. However this also appears to prevent such points from being donor points for substitution, is this appropriate when such substitution could avoid investment ?

Para 116b – query whether ad-hoc reductions would be requested during phase 1 so that at end of phase 1 there is clarity over how the requested capacity can be delivered

Para 117 & 119 – there appears to be an inconsistency here over whether reduction requests apply from a fixed date or a date specified by the User

Para 149 – the last sentence is rather confusing, it may be better to say enduring annual exit capacity can only be secured through the annual application window according to paragraph 76 and 89

Para 161 – It may be better to say ‘Where a PARCA has been agreed and capacity reserved for future delivery, the PARCA applicant or a nominated User may submit a request for Long Term Non Firm NTS Exit (Flat) Capacity.

Para 169 &170 – We are unclear where these provisions arise from? They may be inconsistent with the licence and we consider such rules should be fully explored through the UNC modification process.

Comments on Exit Capacity Substitution and Revision Methodology Statement

Para 19g – If previously released incremental capacity becomes unsold once the User Commitment is met it is not clear why this capacity should not be available for substitution until re-classed. Surely any substitution that can avoid the need for investment should be considered.

Para 19l – this clause has not changed it seems to give NG discretion over whether a project is ongoing or not, is this still required under the PARCA framework?

Para 19m - should this become Y+3 to be consistent with the proposed lead times in the licence?

Para 73& 75 – see point (2)

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