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Dear Steve,

Approval of the Entry Capacity Transfer and Trade Methodology Statement

This letter contains our approval of the Entry Capacity Transfer and Trade (ECTT) methodology statement you submitted on 25 July 2014 and provides the reasons for our decision. We¹ have approved this statement, as we believe that it satisfies the relevant obligations.

Background

The ECTT methodology outlines the circumstances under which National Grid Gas Transmission (NGGT) will consider entry capacity transfers or trades at the Rolling Monthly Transfer and Trade System Entry Capacity Auction (RMTNTSEC), and how the capacity quantities to be transferred or traded will be determined.

NGGT's duties under the Gas Transporter Licence and the Gas Act 1986

Special Condition 9A.5 of the NGG NTS Gas Transporter Licence ("the Licence") sets out the objectives of the methodology.²

Section 9 of the Gas Act 1986 requires NGGT, as the owner and operator of the gas NTS to, among other things:

- develop and maintain an efficient and economic NTS;
- comply, insofar as it is economical, with reasonable requests to connect to the NTS;
- facilitate competition in the supply of gas; and
- avoid undue preference or discrimination in the connection of premises to any pipeline system or the terms on which it transports gas.

ECTT Review

You have a licence obligation³ to review the ECTT at least every two years. On 23 June 2014, you published a consultation on the methodology to be applied from 6 October 2014.

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority' and 'We' are used interchangeably in this letter

² Available here: <https://epr.ofgem.gov.uk//Content/Documents/National%20Grid%20Gas%20Plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

³ Pursuant to Special Condition 9A.6 of the Licence

You received no responses to the consultation, which closed on 21 July 2014. On 25 July 2014, you submitted the ECTT to us for approval.⁴

You consider the ECTT methodology has been working successfully and after reviewing the statement you have not proposed any material changes. Some minor updates, including those to bring the methodology statement into line with the revised Licence for the RIIO-T1 period and updating of the Indicative Demand Levels in Appendix 1, have been made.

ECTT Audit

You are required to provide a statement by an Independent Examiner to confirm that you developed a methodology consistent with the Licence and the Gas Act 1986.⁵ However, on 20 June 2014⁶ we gave you a derogation from this requirement. We accepted your assertion that there would be no benefit from another audit of the model and to do so would not be proportionate.

The reasons for our decision

In our view, this methodology statement is consistent with your obligations under Special Condition 9A of the Licence and your duties under the Gas Act 1986. We note that:

1. it makes only minor updates to the previous version of the methodology statement; and
2. since April 2009, no transfers or trades of Firm Entry Capacity have been required and all capacity requests, at all ASEPs, have been satisfied by using either unsold or surrendered capacity at the same ASEP.

Our decision

Having regard to our principal objective, statutory duties and the reasons given in this letter, we approve the Entry Capacity Trade and Transfer Methodology Statement as submitted on 25 July 2014.

This document constitutes notice of our reasons for the decision, in accordance with section 38A of the Gas Act 1986.

Yours sincerely,

Andrew Burgess
Associate Partner, Transmission & Distribution Policy

⁴ Pursuant to Special Condition 9A.8 of the Licence

⁵ Pursuant to Special Condition 9A.7 of the Licence

⁶ Available here: <https://www.ofgem.gov.uk/ofgem-publications/88258/rmtntsecderogationconsentpdfunsigned.pdf>