

Relevant Gas Transporters,
Shippers and other interested parties

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Dear Colleague

National Grid's Formal Consultation on Capacity Methodology Statements

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 the

- Entry Capacity Substitution Methodology Statement ("ECS");
- Exit Capacity Substitution Methodology Statement ("ExCS"); and
- Entry Capacity Transfer and Trade Methodology Statements ("ECTT");

together, the Capacity Methodology Statements defined in Special Condition 9A.

As part of the review process for these statements, we are obliged to consult with interested parties on the proposed changes before formally submitting them to the Authority for a decision. This letter therefore provides notice of the proposed Capacity Release Methodology Statements and Capacity Methodology Statements and invites your views on the proposals.

National Grid has been working closely with industry to develop the processes for the release of Incremental capacity at Interconnection Points to facilitate compliance with EU Regulation 2017/459 repealing Regulation 984/2013 Capacity Allocation Mechanisms (CAM). This has resulted in the Authority decision to implement UNC Modification:

- 0597: "Rules for the release of incremental capacity at Interconnection Points";

Additionally changes have been made to the auction calendar and the current Annual Quarterly Auction has been replaced with four Annual Quarterly Capacity Auctions. This has resulted in the UNC Modification Panel decision to implement UNC Modification:

- 0598S: "Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations";

Implementation of these changes to the UNC, have an impact on the Capacity Release Methodology Statements and Capacity Methodology Statements. Consequently, we will be putting forward revised Statements to the Authority with a recommended effective date of 31st July 2017.

The main changes that have been made to the Statements are detailed below:

- Entry and Exit Capacity Release Methodology Statements (ECR & ExCR):
 - A new chapter to reflect the new UNC processes for the release of incremental capacity at IPs:
 - Summary of the Demand Assessment Phase as the method of requesting capacity and the subsequent Design Phase.
 - Duplicating, where possible, the existing PARCA paragraphs relating to Phase 2 as the means of allocating capacity.
 - Description of the economic test.
 - Add new reference to the CAM incremental process as a means of releasing IP Capacity & removal of references/footnotes that state that there is no Incremental Process at IPs.
 - Auction calendar date changes and the introduction of four Annual Quarterly Capacity Auctions.
 - Removal of obsolete transitional arrangements.
 - General housekeeping and date related amendments.
- Entry & Exit Capacity Substitution Methodology Statements (ECS & ExCS):
 - Removal of the restriction that currently does not allow for an incremental process at IPs and does not provide a trigger for substitution at an IPs. This restriction will need to be removed as UNC Mod 0597 provides a means of triggering substitution analysis (the rules on Exit substitution away from an IP remain unchanged).
 - Clarify that where an applicant has requested additional Technical Interconnection Point Capacity via an IP PARCA that this can trigger a substitution proposal.
 - Clarify that where Technical Interconnection Point Capacity has been reserved pursuant to an IP PARCA that this is not considered as substitutable capacity.
 - Removal of obsolete transitional arrangements.
 - General housekeeping and date related amendments.
- Entry Capacity Transfer and Trade Methodology Statement (ECTT):
 - Removal of obsolete transitional arrangements introduced by Mod 0501.
 - Removal of obsolete transitional arrangements.
 - General housekeeping and date related amendments.

To assist in reviewing the proposed changes to the Capacity Statements the following documents are available on our website at <http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Current-Consultations/>:

A clean copy of the formal consultation ECR: version 3.1;
A comparison of the formal consultation version 3.1 to approved version 3.0.

A clean copy of the formal consultation ExCR: version 11.1;
A comparison of the formal consultation version 11.1 to approved version 11.0.

A clean copy of the formal consultation ECS: version 8.1; and
A comparison of the formal consultation version 8.1 to approved version 8.0.

A clean copy of the formal consultation ExCS: version 6.1;
A comparison of the formal consultation version 6.1 to approved version 6.0.

A clean copy of the formal consultation ECTT: version 8.1;
A comparison of the formal consultation version 8.1 to approved version 8.0.

The current approved version of each Statement can also be found on the relevant web page.

National Grid would appreciate the comments of all interested parties on the draft changes to the Capacity Release Statements and the Capacity Statements. It particularly welcomes views on the way in which it has addressed CAM Article 8.8 which requires that an amount, at least equal to 10% of the incremental capacity at the concerned Interconnection Point, shall be set aside and offered at a later date. This has been addressed in paragraph 218 of the ExCR and paragraph 227 of the ECR and would also be part of the project proposal and included within the IP PARCA contract.

Responses should arrive by Tuesday 16th May and be sent by e-mail to:

alison.chamberlain@nationalgrid.com

and copied to box.transmissioncapacityandcharging@nationalgrid.com

Please ensure that a "read receipt" is requested if you wish to confirm that your response has been received.

Alternatively they can be sent by post to the above address marked for the attention of:

Alison Chamberlain

Gas Charging and Capacity Development – Floor B3

Responses will be placed on our website and incorporated within the consultation conclusions report. If you wish your response to be treated as **confidential** then please mark it clearly to that effect.

Yours sincerely

Jenny Phillips

Gas Charging and Capacity Development Manager