

The Joint Office, Relevant
Gas Transporters, shippers and other
interested parties

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Dear Colleague

National Grid's 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"); and
 - Exit Capacity Substitution Methodology Statement ("ExCS");
- 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 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 2nd 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](http://www.ofgem.gov.uk)¹.

The implementation of the changes to the UNC as a result of the implementation of UNC Modification 0465V and the changes to the Licence 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 2nd February 2015, to ensure consistency with the implementation date of Modification 0465V. The statements will be effective from the later of this recommended date and the date of approval by

¹ 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

the Authority, or in the case that no direction is received from the Authority the statements will be effective from the date that is 2 months after submission of the statements to the Authority.

On the 16th September 2013 we invited all interested parties to comment on potential revisions to the methodology statements through an informal consultation. The feedback we received has assisted us in the further development of the statements, Licence drafting discussions with Ofgem, and related changes.

The main changes that have been made to the statements since the versions informally consulted on are detailed below:

- Further review has been undertaken to ensure the methodology statements are up to date with the latest version of UNC Modification 0465V, as approved,
- Updates have been made following feedback received from the informal consultation,
- Updates have been made to align to the modified Licence text:
 - Default lead-time for delivery of Incremental Obligated Entry/Exit Capacity revised,
 - Inclusion of requirement for National Grid NTS to publish information when it intends to reserve Entry/Exit Capacity,
- Updates have been made to reflect the implementation of UNC Modification 0449,
- Updates have been made to reflect the implementation of the Generic Revenue Driver Methodology Statement,
- Appendix added to each methodology containing the following PARCA Supporting Information:
 - PARCA Stages Overview
 - a set of slides describing examples of interacting projects which were presented at Transmission Workgroup.
- The removal of changes introduced for UNC Modification 0454 (since proposal rejected by the Authority).

To assist in reviewing the proposed changes to the capacity statements the following documents are available on our website. In each case please scroll to the section headed "Current Review and Industry Consultation".

At:

<http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Entry-Capacity-Release-Methodology-Statement/>

A clean copy of the consultation ECR: version 1.2;

A comparison of version 1.2 to the informal consultation version 1.1.

<http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Exit-Capacity-Release-Methodology-Statement/>

A clean copy of the consultation ExCR: version 9.2;

A comparison of version 9.2 to the informal consultation version 9.1.

<http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Entry-Capacity-Substitution-Methodology-Statement/>

A clean copy of the consultation ECS: version 5.2; and

A comparison of version 5.2 to the informal consultation version 5.1.

<http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Exit-Capacity-Substitution-and-Revision-Methodology-Statement/>

A clean copy of the consultation ExCS: version 3.2;

A comparison of version 3.2 to the informal consultation version 3.1.

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

In response to industry feedback at the December 2014 Transmission Workgroup, we have decided to extend the consultation period to 36 days (allowing 8 days in addition to those required by the licence) to take into account the Christmas period.

National Grid would appreciate the comments of all interested parties on the draft changes to the capacity release statements and the capacity statements. Responses should arrive at National Grid by 17:00 on Friday 16th January 2015 and be sent by e-mail to:

sarah.lloyd@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:

“Sarah Lloyd”

Transmission Network Service – 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

Steve Fisher

Gas Charging and Capacity Development Manager