

**NATIONAL GRID GAS**

**PART ONE**

**EXPRESSION OF INTEREST**

**FOR**

**INCREMENTAL CAPACITY AT INTERCONNECTION**

**POINTS**

**MARKET DEMAND INDICATION**

**ASSESSMENT**

**STARTING 6<sup>th</sup> April 2017**

**Produced by:**

**National Grid Gas Transmission**

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	<b>PART TWO – FOR COMPLETION</b>	
	Expression of Interest Response Proforma Document	Separate Document

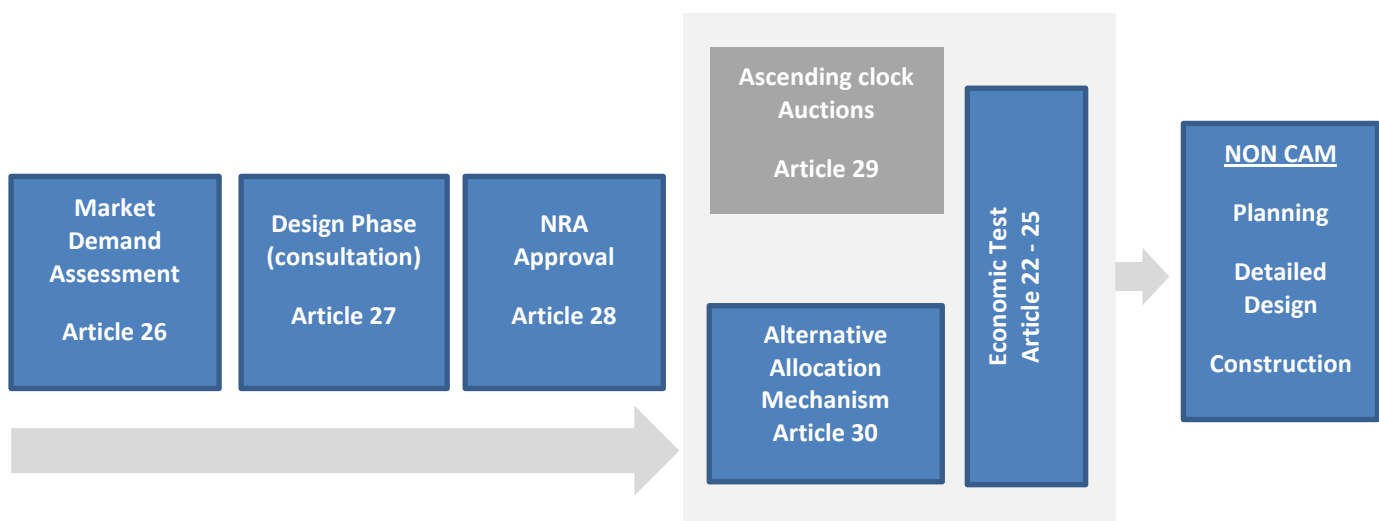
## 1.0 BACKGROUND

This document is being issued by National Grid Gas plc (“National Grid”) in its role as the Gas Transmission System Operator (TSO), in respect of the National Transmission System (NTS).

In order to harmonise the development process for incremental capacity, new rules for incremental capacity have been included in the network code on Capacity Allocation Mechanism (CAM NC). An amended version has been approved by the EU Member States in October 2016 and the Entry into Force date is 6<sup>th</sup> April 2017.

The newly introduced process provides for several phases, including certain requirements that need to be fulfilled, before an incremental project can be initiated based on market demand and new capacity requirements.

**Figure 1: Phases for Releasing Incremental Capacity**



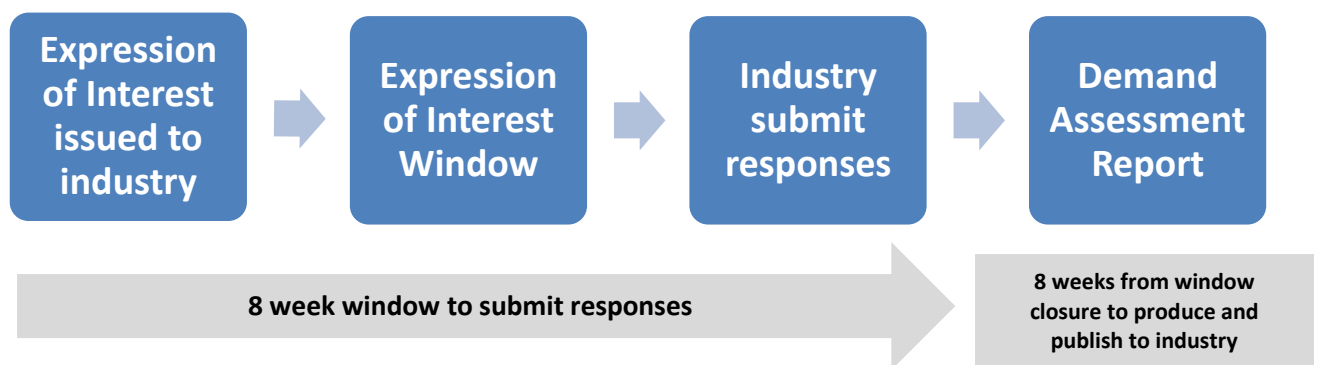
- The market demand assessment will be conducted in accordance with Article 26 of the Official Regulation (EU) 2017/459 of the amended CAM code, hereafter referred to as the CAM Code, and covers how the market will signal to TSOs a potential need for capacity beyond the unsold technical capacity available.
- The project design covers technical studies and a TSO led public consultation on the proposed incremental project.
- National Regulatory Authority (NRA) approval covers the finalisation of the project proposal followed by an NRA decision on whether the project goes ahead.
- The allocation mechanism can be via the standard annual yearly auctions at interconnection points (IP's), or an alternative mechanism can be proposed under the project design.

- National Grid intends to make use of the alternative mechanism to follow the existing Planning & Advanced Reservation of Capacity Agreement (PARCA) process as much as possible.
- Any allocation or reservation of capacity will be subject to an economic test.
- The CAM process does not cover rules for gaining planning consent or for construction however, these remain a necessary part of the process for creating incremental capacity, and are considered as part of the process rules where appropriate.

## 2.0 MARKET DEMAND ASSESSMENT PROCESS OVERVIEW

The key activities that will be undertaken as part of the market demand assessment process and in accordance with CAM Code are illustrated below:-

**Figure 2: Market Demand Assessment high level process steps**



### 2.1 Expression of Interest – Market Demand Indications

This expression of interest is issued to market participants to identify gas market demand indications. The demand indication window will be opened for a period of eight (8) weeks. During this period all interested market participants are able to submit their demand indications by completing the response proforma document contained within part two of this expression of interest.

*For the year 2017 only, the demand indication window will open on the entry into force date of the CAM amendment, this being the 6<sup>th</sup> April 2017.*

To submit non-binding demand indications for incremental capacity and in accordance with the process described in the CAM Code, please provide the following information:

1. The adjacent entry-exit systems between which your company expresses demand for incremental capacity.
2. Your company's incremental capacity demand per gas year(s) between the adjacent entry-exit systems (one row = one amount of requested capacity).
3. Any demand indications which have been or will also be submitted to other transmission system operators, in case such indications are linked to your indication here.
4. Whether the demand expressed is subject to any of the following conditions:-
  - Demand is linked to demand at other IP's.
  - Demand is linked to demand expressed across a number of gas years.
  - Demand is linked to minimum of specific acceptable quantity.

***Please complete all information requested under the points (1) to (4) in the table contained within part two of this document (response proforma).***

Network users can also submit their non-binding demand indications after this deadline. In this case National Grid will reserve the right to decide, if the indication can be included in the ongoing demand assessment or if it will be used in the next assessment.

## **2.2 Evaluation of responses**

National Grid will confirm receipt in writing of a demand indication response within 2 business days from receipt. Demand indication responses to this expression of interest will be deemed fully competent when:-

- All information required has been correctly and fully submitted
- The relevant demand indication fee has been paid and is available to National Grid as cleared funds.

National Grid will confirm in writing when a demand indication is deemed fully competent and will be included within the demand assessment report.

## 2.3 Market Demand Assessment Report

The demand assessment report will be produced and published to industry via the Energy Network Association (ENA) and uploaded to the National Grid website within 16 weeks (no later than the 27<sup>th</sup> July 2017) of the start of the annual yearly auction.

The report will include, but not be limited to, the following information:-

- A conclusion on whether to initiate an incremental capacity project.
- The aggregated non-binding demand indications received during the latest demand indication window.
- The aggregated non-binding demand indications received before the latest demand indication window.
- The aggregated non-binding demand indications received after the latest demand indication window closed, but that will still be considered at this time.
- An assessment of the volume, direction and duration of the demand for incremental capacity at the common IP's, with each adjacent entry-exit system.
- The types and where available the aggregated size of the conditional demand indications received.

## 3.0 TIMELINE OF ACTIVITIES

The estimated timeline is detailed below:-

	06 Apr 17	13 Apr 17	20 Apr 17	27 Apr 17	04 May 17	11 May 17	18 May 17	25 May 17	01 Jun 17	08 Jun 17	15 Jun 17	22 Jun 17	29 Jun 17	06 Jul 17	13 Jun 17	20 Jul 17	27 Jul 17
High Level Activities	Wk	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Entry Into Force																	
Expression of Interest for Demand Indications issued to industry																	
Demand Indication Window																	
Demand Indication Window Closes																	
National Grid Conduct Demand Indication Assessment																	
National Grid Issue Demand Assessment Report to Industry																	

#### **4.0    RESPONSES**

Please complete and submit part two of this document (response proforma) no later than 16:00 hrs 1<sup>st</sup> June 2017 to Andrea Godden, Commercial Contracting Manager [andrea.godden@nationalgrid.com](mailto:andrea.godden@nationalgrid.com), however we welcome any responses ahead of this date.

If in the event you have any queries please contact Andrea Godden using the email address provided above or [Box.UKT.customerlifecycle@nationalgrid.com](mailto:Box.UKT.customerlifecycle@nationalgrid.com)

Information arising from the expression of interest will be shared with other TSO's and aggregated responses will be collated and shared within our demand assessment report.

## 5.0 GLOSSARY OF TERMS

	<b>Term</b>	<b>Definition</b>
01	Economic test	means a test applied to assess the economic viability of incremental capacity projects.
02	Incremental capacity	means a possible future increase via market based procedures in technical capacity or possible new capacity created where none currently exists that may be offered based on investment in physical infrastructure or long term capacity optimisation, and subsequently allocated subject to the positive outcome of an economic test
03	incremental capacity process	means a process to assess the market demand for incremental capacity that includes a non-binding phase, in which network users express and quantify their demand for incremental capacity, and a binding phase, in which binding commitments for contracting capacity are requested from network users by one or more
04	Incremental capacity project	means a project to increase the amount of technical capacity at an existing interconnection point or to establish a new interconnection point based on capacity allocation in the preceding incremental capacity process
05	PARCA	The Planning and Advanced Reservation of Capacity Agreement (PARCA) is a bilateral contract that allows long-term National Transmission System (NTS) entry and/or exit capacity to be reserved for a customer while they develop their own project, before they buy that reserved capacity.