

Issue	Revision
3.1	Consultation draft

# **NTS Exit Capacity Release Methodology Statement in respect of the Transitional Period**

**Effective from 1 October 2008**

nationalgrid

## DOCUMENT HISTORY

V1.0	May 2005	Interim IExCR published at hive-down
V1.1	25 <sup>th</sup> Aug 2005	For industry consultation to include requirements for transitional arrangements
V1.2	25 <sup>th</sup> Nov 2005	For industry re-consultation to include requirements for transitional arrangements
V1.3	4th January 2006	Final proposals – vetoed by Ofgem
V1.4	18th January 2006	Revised Final Proposals
V1.5	July 2006	Annual submission to Ofgem
V1.6	April 2007	For industry consultation, extend transitional period to 2011. amend Initial Volume Allocations
V1.7	June 2007	Industry comments included. Clarification added to Flex rules and IVAs.
V2.0	August 2007	V1.7 approved by Ofgem.
V2.1	January 2008	For industry consultation. Transitional period extended to 2012. Initial Volume Allocations removed. Scope expanded to include release of non-incremental (existing) capacity. Clarification of tools for release of incremental capacity in the constrained period.
V2.2	March 2008	Changes following industry consultation. Definition of Existing System Exit Capacity added. Definition of Incremental Capacity clarified. Clarification to ARCA processes in paragraphs 34 and 40. Reference to buy-back of Offtake Capacity removed. Figure 1 modified for consistency.
V3.0	20 May 2008	V2.2 approved by the Authority
V3.1	July 2008	Revised rules to extend availability of ARCAs. Deletion of references to the “Interim” period which will have ceased by the proposed effective date.

## ABOUT THIS DOCUMENT

This document describes the methodology that National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transporter Licence in respect of the NTS (the “Licence”) employs for the release of all exit capacity, i.e. incremental and existing system exit capacity for initial use commencing up to 30 September 2012<sup>1</sup> (the “transitional period”).

This document is one of a suite of documents that describe the release of NTS capacity by National Grid and the methodologies behind them. The other documents are available on our Charging website at:

<http://www.nationalgrid.com/uk/Gas/Charges/statements/>

This statement is effective from 1 October 2008<sup>2</sup>.

This document has been published by National Grid in accordance with Special Condition C18 of the Licence and is approved by the Gas and Electricity Markets Authority (the Authority). National Grid believes the content is consistent with its duties under the Gas Act and is consistent with the Standard Conditions, Standard Special Conditions and Special Conditions of the Licence.

If you require further details about any of the information contained within this document or have comments on how this document might be improved please contact our UK Transmission Gas Access and Charging team at

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<sup>1</sup> Or such later date as directed by the Authority

<sup>2</sup> Or the date of approval by the Authority if later than 1<sup>st</sup> October 2008.

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## GENERAL INTRODUCTION

1. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
2. The NTS is a network of pipelines, presently operated at pressures of up to 94 bar, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. Exit points are predominantly connections to Distribution Networks (DNs), but also include storage sites and direct connections to large industrial consumers and other systems, such as interconnectors to other countries.
3. These operations are carried out to meet the needs of the companies that supply gas to domestic, commercial and industrial consumers and to power stations and interconnectors. In 2006/07 1,079 TWh of Gas was transported to these consumers.
4. This publication sets out the methodology that applies for the release of incremental and existing NTS exit capacity in respect of the NTS pipeline network during the transitional period. The methodology for the release of NTS exit capacity following expiry of the transitional period will be found in the **“NTS Exit Capacity Release Methodology Statement in respect of the Enduring Period”<sup>3</sup>**.
5. Details of National Grid and its activities can be found on the company’s internet site at [www.nationalgrid.com](http://www.nationalgrid.com).  
An electronic version of this publication can be found at the following web page [“http://www.nationalgrid.com/uk/Gas/Charges/statements/”](http://www.nationalgrid.com/uk/Gas/Charges/statements/).
6. Key terms used throughout this document are defined in Appendix 1.
7. It is important that National Grid is made aware of potential developments where incremental capacity may be required at an early stage. This is so that discussions can be held with the customer in relation to any additional work that may be required, including facilitating the physical connection, whether this is at a new or existing exit point. This work is charged for separately as specified in National Grid’s Statement of “Principles and Methods to be used to Determine Charges for National Transmission System Connection Services” (“SC4B statement”) which is also available on the National Grid website. Contact can be made with the Customer Services team via e-mail to [transmission.newgasconnections.nts@uk.ngrid.com](mailto:transmission.newgasconnections.nts@uk.ngrid.com).

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<sup>3</sup> It is anticipated that this document will be published late in 2008.

## CHAPTER 1: PRINCIPLES

8. This methodology statement has been produced to meet the requirements of Special Condition C18 of the Licence. National Grid believes the content is consistent with its duties under the Gas Act and is consistent with the Conditions, Standard Special Conditions and Special Conditions of the Licence.
9. This statement applies to the release of all forms of NTS Exit Capacity (as defined in Standard Special Condition A3 of the Licence) by National Grid and shall include NTS Exit Capacity (at NTS System Exit Points, as defined in the Uniform Network Code (“UNC”)), and NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes, as defined in the UNC).
10. The statement shall apply to the release of all NTS Exit Capacity (i.e. existing and incremental capacity) for first use during the transitional period.
11. For the avoidance of doubt, for the transitional period existing NTS Exit Capacity does not necessarily equate to the NTS baseline capacity specified in the Licence. Relevant values for the NTS baseline capacity are as specified in Annex A table 1 of Special Condition C8E of the Licence<sup>4</sup>.
12. This statement applies to the release of Firm Capacity. Interruptible Capacity is not available at NTS/LDZ Offtakes. It will only be released at NTS System Exit Points where it can be released without adversely affecting the safe and economic operation of the system and without the need for any system reinforcement. Such available Interruptible Capacity will be released on a first come first served basis in accordance with processes detailed in the UNC.
13. For the transitional period, National Grid, when determining whether to allocate Existing System Exit Capacity, will use the methodology described in this statement under Chapter 2.
14. For the transitional period, National Grid, when determining whether to allocate Incremental Exit Capacity, will use the methodology described in this statement under Chapter 3.
15. A high level summary of the procedures for allocation of NTS Exit Capacity in relation to the different timeframes is provided in Table 1 below. Reference should be made to the appropriate paragraphs for further detail.

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<sup>4</sup> The baseline values specified in the Licence shall be adjusted to account for any subsequently released incremental capacity and /or any applications under the OCS process detailed in UNC TPD section B6.

<b>Table 1 – High Level Summary of Processes for Allocation of NTS Exit Capacity</b>					
	Date capacity first available	1/10/2008 to 30/09/2011	1/10/2011 to 30/09/2012	From 1/10/2012	
		<b>Transitional Period</b>		<b>Enduring Period</b>	
<b>Existing System Exit Capacity</b>					
Exit Capacity (Shipper)		First come, first served*. Book no more than 6 months** in advance (paragraph 21-29). Where capacity is required more than 6 months in advance an ARCA may*** be requested.		Not applicable to this statement	
NTS Offtake (Flat) Capacity		OCS process (paragraph 30)			
NTS Offtake (Flexibility) Capacity		OCS process (paragraph 30)			
<b>Incremental Exit Capacity</b>					
Exit Capacity (Shipper)	Action other than specific reinforcement needed	First come, first served*. Book no more than 6 months in advance. Where capacity is required more than 6 months in advance an ARCA may*** be requested.			
		Paragraphs 35-36	Paragraphs 46-47		
	With specific reinforcement	Partial (an ARCA may be offered) or no release	Subject to ARCA (paragraph 44)		
NTS Offtake (Flat) Capacity	No reinforcement needed	OCS process*			
	With specific reinforcement	OCS process*	Subject to ARCA (paragraph 44)		
NTS Offtake (Flexibility) Capacity	No reinforcement needed	OCS process*			
	With specific reinforcement	Capacity not released (paragraph 45)			
<p>* Subject to National Grid being satisfied that it could meet such demands by reference to its wider Licence obligations as outlined in paragraph 17.</p> <p>** Under Supply Point registration process defined in UNC Section G the maximum period between Supply Point Nomination and the Supply Point Registration Date specified in the Supply Point Confirmation is 2 Business Days plus 6 months plus 30 Business Days. In this document "6 months" should be read as 6 months plus 32 Business Days.</p> <p>*** Subject to the 20m therms/annum threshold (see paragraphs 23/46)</p>					

16. Until 30 September 2012, new and existing Shipper Users will continue to purchase Firm and Interruptible NTS Exit Capacity at administered prices,

and any capacity requests will be considered against the provisions of National Grid's statutory licence obligations.

17. Overriding obligations on National Grid set out in the Gas Act and the Standard Conditions, Standard Special Conditions and Special Conditions of the Licence are that its activities must be:

- Conducted on a non-discriminatory basis;
- Conducted in an efficient, economical and co-ordinated manner; and
- Be consistent with the safe and efficient operation of National Grid's pipeline system and security of supply obligations.

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## **CHAPTER 2: PROCEDURE FOR ALLOCATING EXISTING SYSTEM EXIT CAPACITY IN THE TRANSITIONAL PERIOD**

18. In respect of NTS/LDZ Offtakes and NTS System Exit Points National Grid shall, upon request from a Distribution Network Operator (DNO) or Shipper as appropriate, release any unallocated Existing System Exit Capacity.
19. Existing System Exit Capacity shall be determined by network analysis undertaken at the time of any valid request received by National Grid for NTS Exit Capacity.
20. Existing System Exit Capacity shall be determined by network analysis using existing NTS infrastructure and current and/or committed commercial and statutory obligations, but includes all existing firm commitments recorded in previous OCSs and any quantities that Shipper Users are registered as holding pursuant to UNC.
21. In respect of NTS System Exit Points, such requests for NTS Exit Capacity shall be in accordance with UNC TPD Section G2 and B3.2. In all cases any allocation of NTS Exit Capacity shall be subject to there being any unallocated capacity available at that exit point.
22. Allocation of available Existing System Exit Capacity at NTS System Exit Points will be on a first come first served basis.
23. Notwithstanding paragraph 21, where a Shipper User requires capacity to first be released beyond the maximum timescale envisaged by UNC Section G2 (i.e. more than 6 months) and the NTS Exit Capacity request is for more than 20 mtpa<sup>5</sup> then the Shipper User may request that National Grid offers an Advanced Reservation of Capacity Agreement "ARCA". The Shipper User shall not be obliged to request, nor sign, an ARCA.
24. For these longer lead-time projects NTS Exit Capacity can also be requested by a Developer. The Developer may also request an ARCA. However, NTS Exit Capacity in respect of an NTS System Exit Point can only be registered by a Shipper User.
25. For the avoidance of doubt, paragraph 22 shall apply in respect of capacity proposed to be reserved via an ARCA, i.e. until the ARCA is signed by both parties any available Existing System Exit Capacity may be allocated to a another party through UNC TPD Section G.2 & B3.2 processes or reserved through a separate ARCA.
26. ARCAs may only be requested where the Shipper User or Developer is able to provide adequate evidence to demonstrate that the requested capacity is genuinely required and is likely to be used from the date requested. Such evidence could vary from project to project, but may include for example planning applications and "section 36" consents.

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<sup>5</sup> million therms p.a.

27. If an ARCA is requested and signed by the Shipper User / Developer, then National Grid will release the full amount of requested unallocated Existing System Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a "User Commitment" which will be related to the quantity of capacity reserved and relevant exit capacity charges paid over a defined period. Full details of the ARCA Commitment will be specified in the ARCA.
28. If an ARCA is requested by the Shipper User / Developer and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of an ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986. Following determination National Grid will release NTS Exit Capacity in accordance with the outcome of the determination.
29. Where there is insufficient unallocated Existing System Exit Capacity at an NTS System Exit Point to satisfy a request for additional capacity then the available capacity may be allocated to partially satisfy the Shipper's request. An ARCA may also be requested in respect of the capacity that is available even if this does not fully satisfy the Shipper's/Developer's request. The Shipper may withdraw or amend their capacity request prior to capacity being allocated.
30. In respect of NTS/LDZ Offtakes such requests (including decrease requests) for NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity, shall be in accordance with UNC TPD section B6.

## **CHAPTER 3: PROCEDURE FOR ALLOCATING INCREMENTAL EXIT CAPACITY IN THE TRANSITIONAL PERIOD**

### **A. Requests for Incremental Exit Capacity within investment lead-times**

31. The following steps will be applied to requests for release of:

- NTS Exit Capacity (from Shipper Users and Developers)
- NTS Offtake (Flat) Capacity (from DNO Users)
- NTS Offtake (Flexibility) Capacity (from DNO Users)

in the transitional period for utilisation within investment lead-times i.e.

DNO User requests for Incremental Exit Capacity for:

- 2009/2010, 2010/2011 and 2011/2012 received during the 2009 Application Window
  - 2010/2011 and 2011/2012 received during the 2010 Application Window.
  - 2011/2012 received during the 2011 Application Window.
- received in accordance with the Uniform Network Code, and;

Shipper User requests for capacity allocations received:

- in accordance with the capacity registration processes and timescales within the Uniform Network Code;

Shipper User / Developer requests for capacity allocations for the transitional period received:

- Beyond the capacity registration timescales within the Uniform Network Code.

32. National Grid would determine whether to allocate all or part of the requested Incremental Exit Capacity by Shipper or DNO Users or Developers within investment lead times only if a safe operating System can be maintained and if economic analysis of the costs and benefits demonstrates that it is efficient and economical to do so.

33. If an application for a quantity of Incremental Exit Capacity is received which could be expected to impair safe operation of the System and/or will increase infrastructure or operational costs, then National Grid will seek to identify the costs of maintaining a safe operating System and for economically operating the NTS so as to identify mitigating actions (if any) that could be undertaken to remove such costs and impairment.

34. Mitigating actions that may be explored include;

- buy-back of NTS Exit Capacity from Shipper Users;
- use of storage options;
- any other appropriate contracting solutions.

Any of the above tools will be used in accordance with the National Grid Procurement Guidelines and System Management Principles Statement.

35. If:

- a. safe operation of the System is not impaired and no incremental costs are identified; or

- b. where paragraph 35 a) does not apply, mitigating actions have been identified,  
then National Grid will allocate the requested Incremental Exit Capacity
36. Where National Grid identifies that Incremental Exit Capacity can be released; and the Shipper User / Developer requires capacity to first be released beyond the maximum timescale envisaged by UNC TPD Section G2 and B3.2 and the request is for more than 20 mtpa then the Shipper User / Developer may request that National Grid offers an ARCA. The Shipper User / Developer shall not be obliged to request, nor sign, an ARCA.
37. ARCAs may only be requested where the Shipper User or Developer is able to provide adequate evidence to demonstrate that the requested capacity is genuinely required and is likely to be used from the date requested. Such evidence could vary from project to project, but may include for example planning applications and “section 36” consents.
38. If an ARCA is requested and signed by the Shipper User / Developer, then National Grid will release the full amount of requested Incremental Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a “User Commitment” which will be related to the quantity of capacity reserved and relevant exit capacity charges paid over a defined period. Full details of the ARCA Commitment will be specified in the ARCA.
39. If an ARCA is requested by the Shipper User / Developer and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of an ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986. Following determination National Grid will release NTS Exit Capacity in accordance with the outcome of the determination.
40. The flow chart in Figure 1 of Appendix 2 summarises the overall process.

**B: Requests for Incremental Exit Capacity beyond investment lead-times**

41. The following steps will be applied to requests for release of :

- NTS Exit Capacity (from Shipper Users and Developers)
- NTS Offtake (Flat) Capacity (from DNO Users)
- NTS Offtake (Flexibility) Capacity (from DNO Users)

in the transitional period for utilisation beyond investment lead-times.

42. This section applies to any:

- Shipper User / Developer requests for incremental NTS Exit Capacity release that:
  - meet the criteria for requirement of an ARCA. This “reservation” of capacity would have to be undertaken such that there is sufficient time from execution of the agreement to the required utilisation of capacity for National Grid to undertake the required system investments, i.e. signature normally at least 38 months before capacity is due to be released (i.e. by July 2008 for first gas in October 2011);
  - do not meet the criteria for requirement of an ARCA.
- DNO User requests, in accordance with the UNC, for incremental NTS Offtake Capacity for 2011/2012 received during the 2008 Application Window.

Notwithstanding the lead times identified in this paragraph National Grid will consider the release of capacity in advance of these timescales where National Grid deems this to be practicable.

43. At any NTS System Exit Point, if Incremental Exit Capacity is requested by a User, then National Grid would first assess whether Specific Reinforcement of the NTS upstream of the Connection Charging Point<sup>6</sup> would be required i.e. whether there is any NTS investment that would not be required if the incremental capacity was not to be supplied.

44. If such investment is required, then National Grid would, in accordance with National Grid's SC4B Statement, require:

- a Shipper User / Developer to enter into an ARCA for incremental NTS Exit Capacity requests greater than 20 mtpa; or
- a DNO User to enter into an ARCA for incremental NTS Offtake (Flat) Capacity requests greater than 20 mtpa.

45. Any incremental NTS Offtake (Flexibility) Capacity request will be rejected where it requires Specific Reinforcement, leads to an increase in costs, or could reasonably be considered to lead to a conflict with the safe operation of the network.

46. If Specific Reinforcement is not required for a development, but the Incremental Exit Capacity request is for more than 20 mtpa, then an ARCA would not be required by National Grid. In this situation, in respect of NTS Exit Capacity, a Shipper User / Developer would have the option to either:

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<sup>6</sup> As defined in National Grid's SC4B Statement.

- a. book capacity in accordance with UNC TPD Section G.2 and B3.2. In the intervening period it is feasible that any available capacity is booked by other Shipper Users for other consumers. Hence when the original Shipper User then requests capacity it may be that only Interruptible Capacity is available; or
  - b. request, upon provision of adequate evidence to demonstrate that the requested capacity is genuinely required and is likely to be used from the date requested, an ARCA. Such evidence could vary from project to project, but may include for example planning applications and “section 36” consents.
47. If the Incremental Exit Capacity request is for less than 20 mtpa, regardless of whether Specific Reinforcement is required, then an ARCA would not be required by National Grid and would not be available as an option. In this situation, in respect of NTS Exit Capacity, a Shipper User / Developer would only be able to obtain capacity through UNC processes in TPD Section G.2 and B3.2.
48. If an ARCA is required by National Grid (in accordance with paragraph 44), or is requested by a Shipper User / Developer (in accordance with paragraph 46 b), and is signed by the relevant party, then National Grid will release the full amount of requested incremental exit capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a “User Commitment” which will be related to the quantity of capacity reserved and relevant exit capacity charges paid over a defined period. Full details of the ARCA Commitment will be specified in the ARCA.
49. If an ARCA is required by National Grid (in accordance with paragraph 44) and agreement cannot be reached on the terms and conditions of the ARCA, or if an ARCA is requested by a Shipper User / Developer (in accordance with paragraph 46 b) and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of the ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986. Following determination National Grid will release the full amount of requested Incremental Exit Capacity in accordance with the outcome of the determination.
50. In the event that the ARCA is not signed, whether or not it has been referred to the Authority, then National Grid would accept in part only the request up to the level at which capacity is available without the Specific Reinforcement. This would be in accordance with paragraph 46 a.
51. The flow chart in Figure 2 of Appendix 2 summarises the overall process.

## APPENDIX 1: DEFINITIONS

**ARCA** means **Advanced Reservation of Capacity Agreement** and is an agreement between National Grid and either a DNO, a Shipper or a Developer (e.g. in respect of a new NTS System Exit Point). It obliges National Grid to accept the capacity booking for the quantity agreed at the date agreed. It also obliges the counter party to apply for (or arrange a Shipper to apply for) the capacity or to make a payment to National Grid in respect of lost transportation revenue. An ARCA is deemed to constitute the “user commitment” for the purposes of Special Condition C8E paragraph 1 of the Licence. Under the ARCA capacity is reserved such that it can be registered under UNC processes and timescales at a later date. In the case of an ARCA signed by a Developer, the Developer must arrange for a Shipper User to register the reserved capacity.

**Developer** means a party other than a Shipper or a Distribution Network Operator who is developing a project that will require the offtake of gas from the NTS at a new or existing NTS System Exit Point.

**Enduring Period** means the period from 1 October 2012<sup>7</sup>, being the date from which it is expected that exit capacity will be released in accordance with revised “enduring” arrangements.

**Existing System Exit Capacity** means the capacity determined in accordance with paragraphs 19 and 20 and is a measure of the capability of the NTS. It includes currently allocated and unallocated capacity. Unallocated capacity is not specific to any individual exit point.

**Firm Capacity** is capacity which is not subject to interruption in accordance with UNC TPD section G6.7.

**Incremental Exit Capacity** means capacity (requested) to be made available in excess of the Existing System Exit Capacity.

**Interruptible Capacity** is capacity which is subject to interruption in accordance with UNC TPD section G6.7. Interruptible capacity is not available at NTS/LDZ Offtakes and shall be available at NTS System Exit Points in accordance with UNC.

**NTS baseline capacity** means the NTS baseline exit flat capacity, the NTS baseline exit shipper capacity and the NTS baseline exit flow flexibility. In the absence of a full User commitment model for the interim and transitional periods National Grid does not have an obligation to offer NTS baseline capacity levels for sale.

**NTS baseline exit flat capacity** – means the level of capacity (defined in units of GWh/day, but applied at a constant hourly rate) at each NTS/LDZ Offtake as specified in table 1 of Annex A of Special Condition C8E of the Licence.

**NTS baseline exit flow flexibility** – means the level of variance from the hourly flat capacity rate (in GWh/day) which in aggregate across all NTS Exit Points shall be 238 GWh/day.

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<sup>7</sup> Or such later date as directed by the Authority

**NTS baseline exit shipper capacity** means the level of capacity (defined in units of GWh/day, but applied at a constant hourly rate) at each NTS System Exit Point as specified in table 1 of Annex A of Special Condition C8E of the Licence.

**NTS Exit Capacity** – as defined in Standard Special Condition A3 of the Licence means NTS Exit Capacity (at NTS System Exit Points as defined in the UNC TPD section A3), and/or NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes as defined in the UNC TPD section B1). For the purpose of this document NTS Exit Capacity means Firm Capacity.

**NTS Exit Point** means NTS System Exit Point and/or NTS/LDZ Offtake.

**NTS/LDZ Offtakes** are connections from the NTS to a Distribution Network operated by a Distribution Network Operator (a “DNO”).

**NTS System Exit Points** are NTS Supply Points and/or NTS Connected System Exit Points.

**OCS** means the **Offtake Capacity Statement** as defined in UNC TPD section B6.

**Transitional Period** means the period from 1 October 2008 to 30 September 2012<sup>8</sup>.

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<sup>8</sup> Or such later date as directed by the Authority



## APPENDIX 2: PROCESS FLOW CHARTS

Figure 1: Summary Process Flow Chart  
Transitional Period  
**Request for Incremental Capacity received within  
investment lead times**

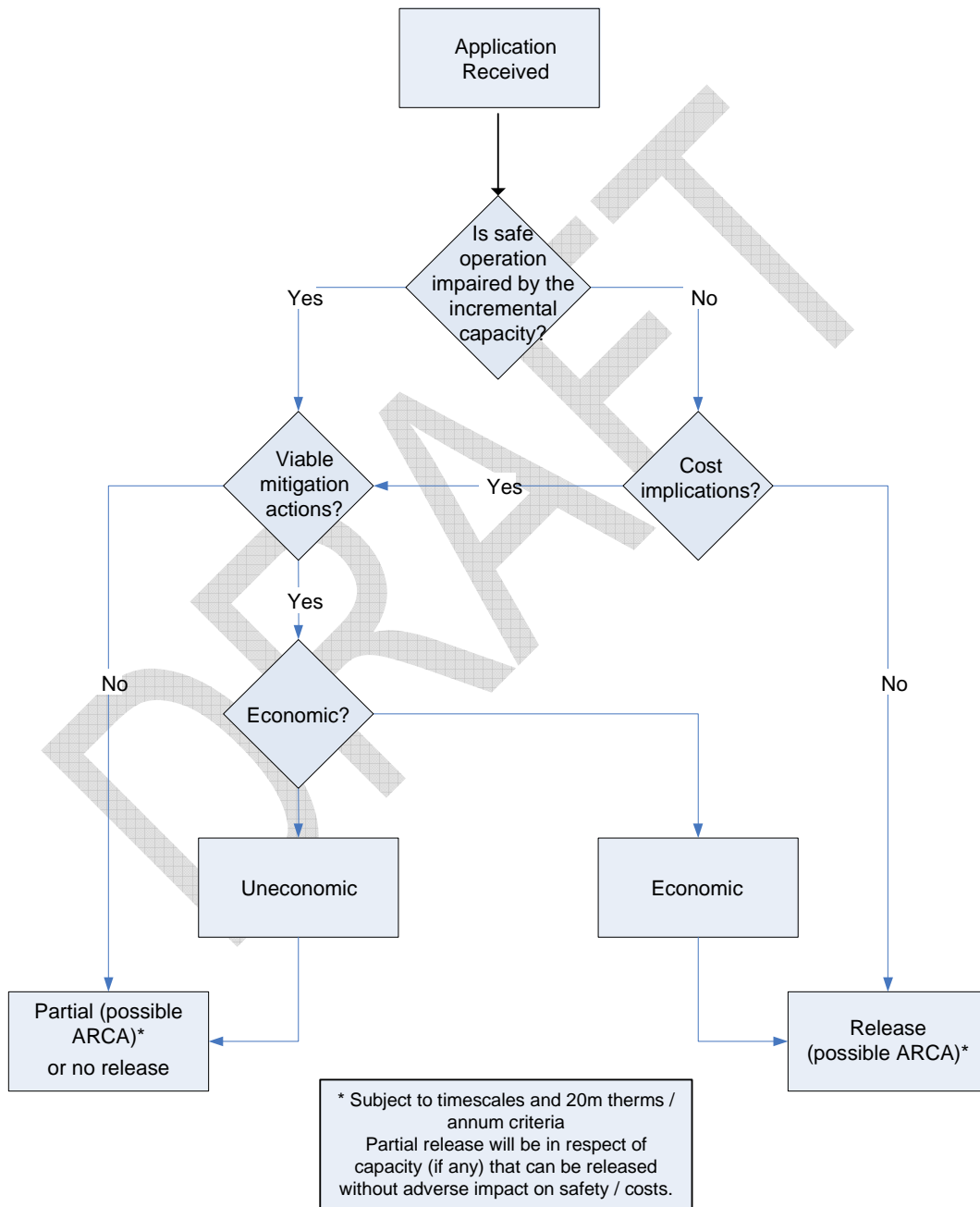


Figure 2: Summary Process Flow Chart  
Transitional Period  
**Request for Incremental Capacity received beyond  
Investment lead-times.**

