GD Exit Capacity Booking Enhanced Obligations - background

- In RIIO1, the GDNs were financially incentivised to be efficient in their exit capacity bookings by means of:
    - Reducing total bookings
    - Switching bookings to less constrained (and therefore cheaper) offtakes

- Implementation of uniform tariffs under UNC Mod 0678A meant this incentive would no longer work in RIIO2, and it wasn’t viable to design a replacement while CAR is ongoing.

- We therefore decided to introduce a new set of enhanced obligations in relation to the exit capacity booking process for the GDNs and NGGT. We are currently consulting on a draft version of these (the Exit Capacity Planning Guidance / ECPG).

EPCG Objectives

Our policy objectives for the obligations are to ensure:

- That there is no loss of efficiency in the booking of NTS capacity as a result of removing the RIIO1 financial incentive.
- That all aspects of the booking process are managed in a way that is to the benefit of the gas system as a whole

In this context, we take efficiency to mean getting the balance right between:

- Users' requirements (forecasted/perceived and actual)
- NTS and GDN costs
- Pressure, flex and flat capacity bookings
- Timings of the booking – noting the consequences of the booking (eg investment, investment deferral, release of capacity to others)
- Geographical distribution

ECPG Structure

The draft ECPG is made up of 3 elements:

Methodology – publication of a methodology statement, details of network structure and how bookings are informed by the 1 in 20 forecasts.

Engagement – covering how and when the GDNs and NGGT engage with each other to maximise booking efficiency across the gas system

Reporting - annual reporting requirements on the outcomes of applying the booking methodologies.