



0860: Clarify impact of exit capacity holdings on offtake rights

Workgroup 2

Phil Lucas

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Themes from Workgroup 1 (Summary)

- Risk of unavailability of Exit Capacity in short-term markets (day ahead / within-day) backed off by procurement of Exit Capacity in longer term markets (annual)
- Existing limitation on Transporters obligations to make gas available for offtake to Exit Capacity held (TPD J3.10.5) is for commercial purposes only i.e. determination of payments under J3.5
- Messaging from December 2022 webinar was that OPNs are not validated against a User's Exit Capacity holding

Themes from Workgroup 1 (1)

Risk of unavailability of Exit Capacity in short-term markets (day ahead / within-day) backed off by procurement of Exit Capacity in longer term markets (annual)

- Firm Exit Capacity is only withheld from sale in Day Ahead and With Day auctions where a constraint is forecast (in accordance with the ExCR) – i.e. in absence of any action, pressures are forecast to breach minimum operating level

Themes from Workgroup 1 (2)

Existing limitation on Transporters obligations to make gas available for offtake to Exit Capacity held is for commercial purposes only i.e. determination of payments under J3.5

J3.2 Obligation to make gas available for offtake

3.2.1 Subject to the provisions of the Code, the Transporter will make gas available for offtake by User(s) from the System at the point of offtake ...

J3.10 User offtake obligations: NTS Exit Points and Inter-System Offtakes

3.10.5 In the case of an NTS Exit Point National Gas Transmission will not be obliged **under any provision of the Code** to make gas available for offtake from the NTS by a User:

- (a) ...at a rate which exceeds the maximum permitted rate;
- (b) ...in a quantity which exceeds the User's Fully Adjusted Available NTS Exit (Flat) Capacity;

Themes from Workgroup 1 (2)

- J3.10.5 appropriately limits NGT's *obligation* to make gas available for offtake (J3.2)
 - J3.10.5 is not limited in scope to 'Gas not made available for offtake' provisions i.e. payments due under J3.5.
 - Applicability of J3.10.5 is "*under any provision of the Code*"
- Whilst J3.10.5 relieves NGT of an *obligation* to make gas available for offtake, this does not *prohibit* making that gas available for offtake i.e. if operational conditions allow this

Themes from Workgroup 1 (3)

- Messaging from December 2022 webinar was that OPNs are not validated against a User's Exit Capacity holding
 - i.e. justification for inclusion of provisions setting out that an OPN will not be rejected due to insufficient capacity

If a site is unable to buy Exit capacity but submits an OPN indicating that it plans to use gas, will that result in an OPN rejection?

A site that submits an OPN would not have this rejected for the reason of not holding the corresponding capacity. OPNs are not considered in relation to capacity entitlements as both may change during a Gas Day.

Themes from Workgroup 1 (3)

What are the rules for rejecting an OPN and can a user still take gas if an OPN is rejected?

The OPN rules would be enforced (and an OPN rejected) if we need to protect safe operating pressures and are unable to accommodate the usual flex that we try to provide, beyond the 1/24th rate. Enforcing the rules would result in restricting CCGTs to stricter NExA parameters / ramp rates etc. We would let you know the rules are being enforced via ANS - this would inform of our inability to continue to support OPN rule breaches.

A Shipper may still take gas in excess of their last accepted OPN, though in the event that the emergency escalates there would likely be a review post-event with Ofgem and HSE involvement. *See responses to other questions on this point.*

Where does Exit capacity buyback fit in?

Exit capacity Buy Back may be used as one of the commercial tools to help bring flows in line with physical capability. If Shippers are flowing against Firm capacity entitlements, we may send an ANS inviting offers to sell back Firm Exit capacity to us in a bid to reduce flows (as nominations should then reduce in line with reduced capacity entitlement, where bids are accepted). In terms of where this fits in, as was explained in the webinar, the order in which we use different commercial tools is not prescriptive; Buy Backs would be explored by GNCC if at the time this is deemed the most efficient and effective course of action to alleviate the constraint.

Themes from Workgroup 1 (3)

<p>What happens if CCGTs have been unable to buy Firm capacity day ahead - do you have ability to stop CCGTs taking gas in this case pre-emergency?</p>	<p>If CCGTs do not hold Firm Exit capacity but continue to offtake gas from the NTS in a constraint situation, we would not physically stop this in pre-emergency stages.</p>
<p>How do you determine whether an offtake has "caused" a constraint when there is a national issue?</p>	<p>If an investigation is carried out to determine the cause of a constraint, this would be carried out by Ofgem, and we would provide data from the day(s) in question in support of this. In the case of a national issue, there would be a significant amount of data to consider, though it should still be possible to identify positions taken that were of a timing and magnitude which exacerbated the situation.</p>
<p>If post event data is presented to Ofgem highlighting user behaviours, could this lead to regulatory penalties in addition to overrun costs?</p>	<p>This would be a matter for Ofgem to investigate and to determine appropriate consequences/actions.</p>

Thank you

