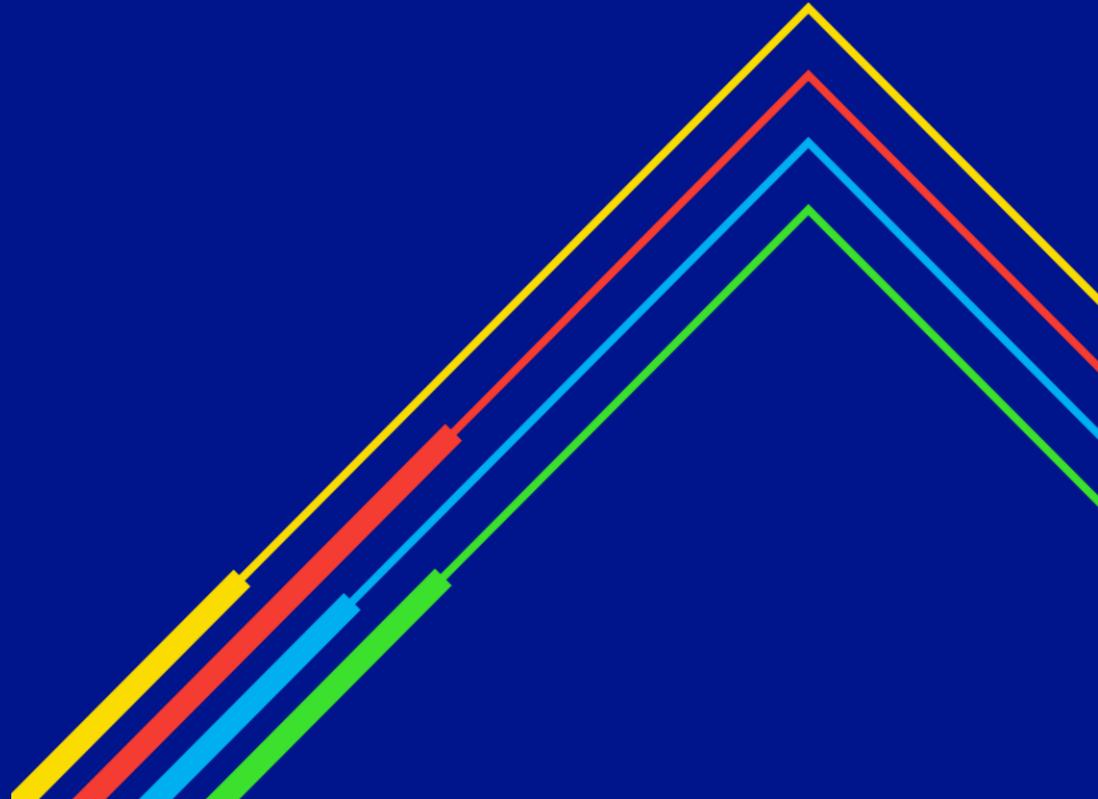


# Capacity Access Review

Transmission Workgroup

1<sup>st</sup> October 2020

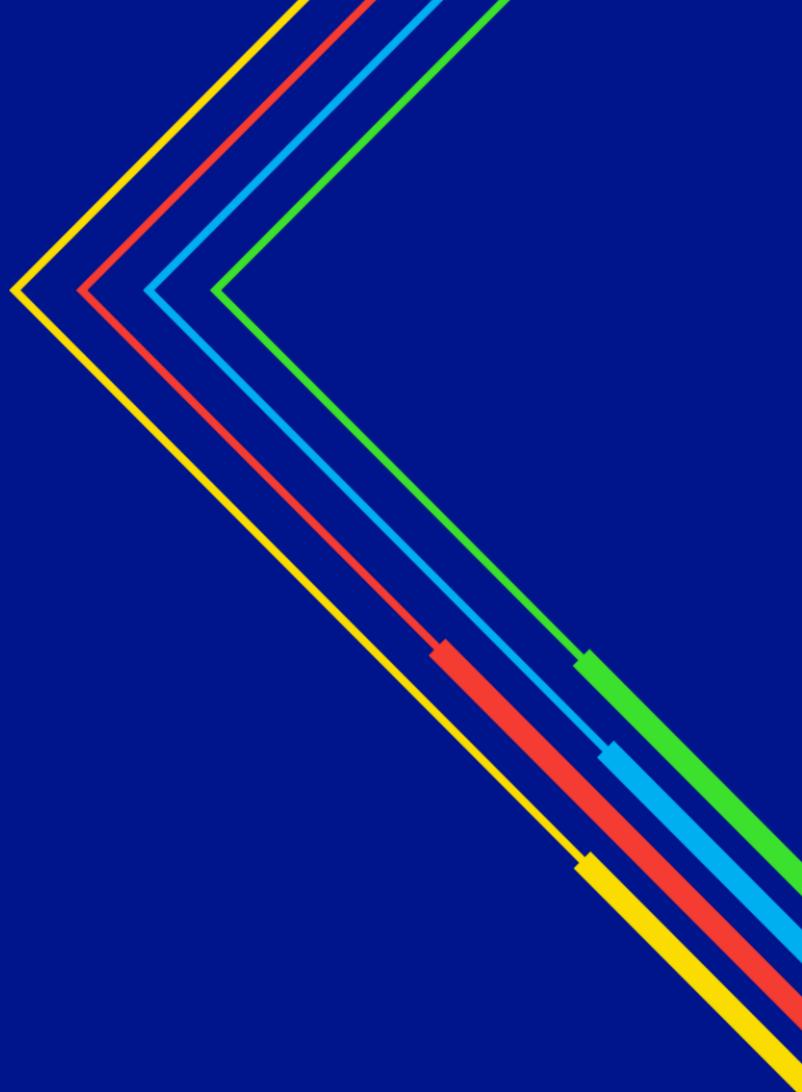
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# 02

## Entry User Commitment

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# Entry User Commitment

*New Action 0901: Entry User Commitment - Workgroup participants to review the text provided to support Action 0701 and feedback to National Grid, Jennifer Randall (JR).*

- No feedback received
- Letter sent to Ofgem requesting a derogation from Special Condition 9A.7 of the NTS Gas Transporter Licence which states that:

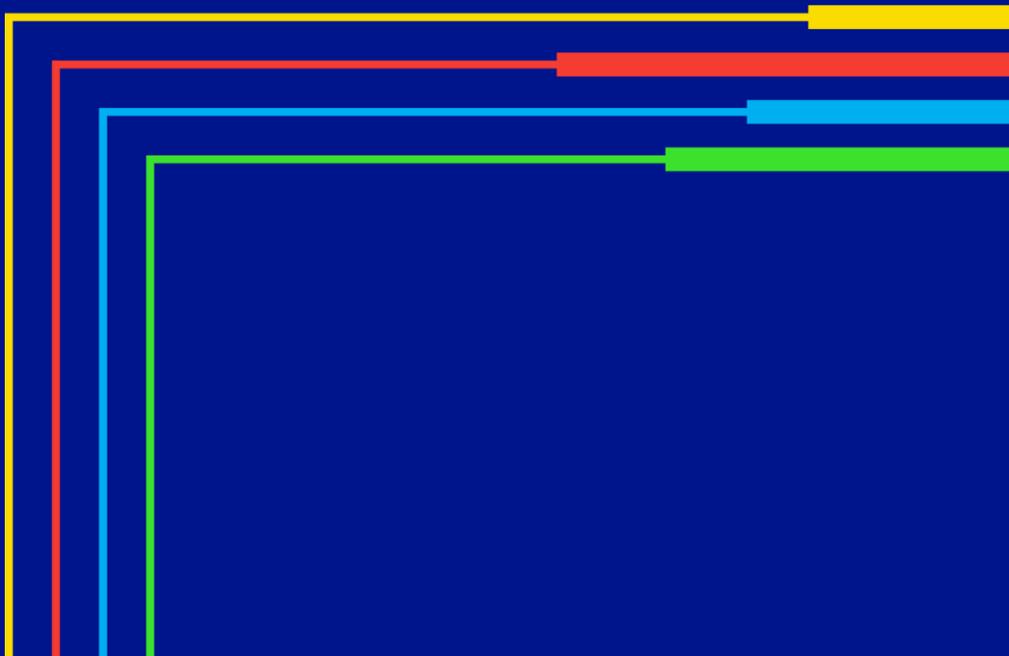
*“Unless the Authority otherwise consents in writing, the methodologies and Capacity Methodology Statements must be accompanied by a statement from an Independent Examiner, confirming that they have carried out an Examination, the scope and objectives of which must have been established by the Licensee and approved by the Authority and giving an opinion as to the extent to which the Licensee has developed a methodology that is consistent with its duties under the Act and its obligations under this Licence”.*

- Requested response as soon as is reasonably practicable

# 03

## Review of the Exit Regime

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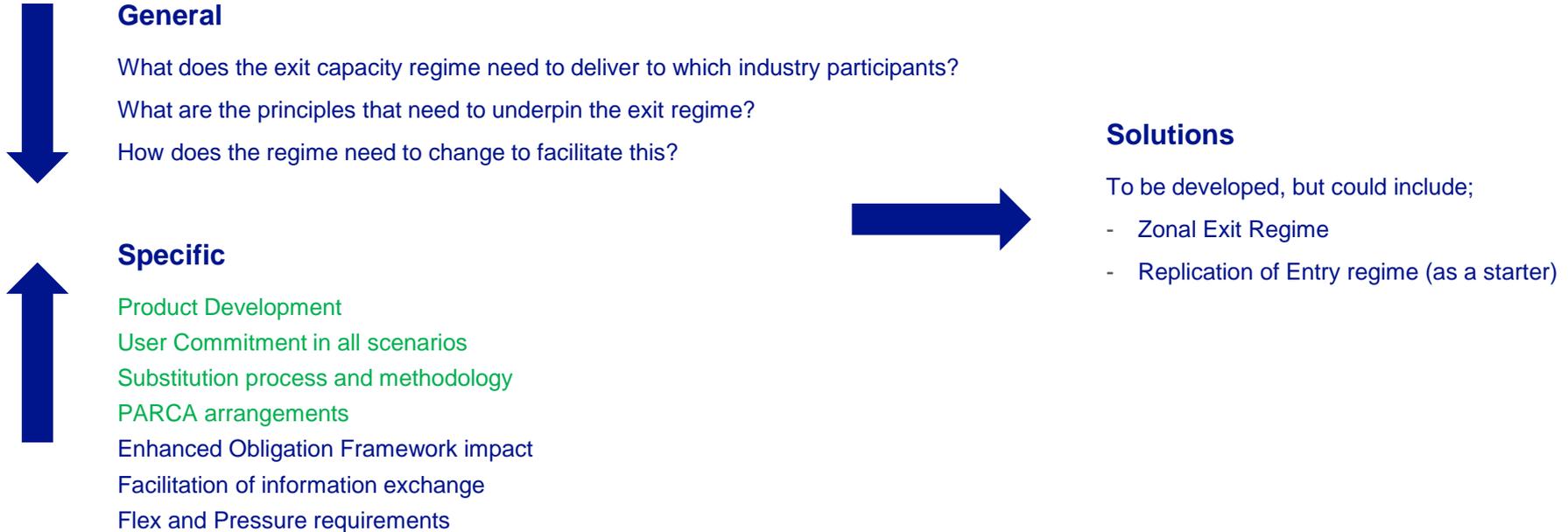


# Review of the Exit Regime: Scope

Green = topics where discussion / work has commenced

*New Action 0903: Exit User Commitment - National Grid (JR) to launch holistic review of the Exit Regime*

*New Action 0903a: Exit User Commitment – National Grid (JR) to provide a transparent scope of what the holistic review will look like including timescales*

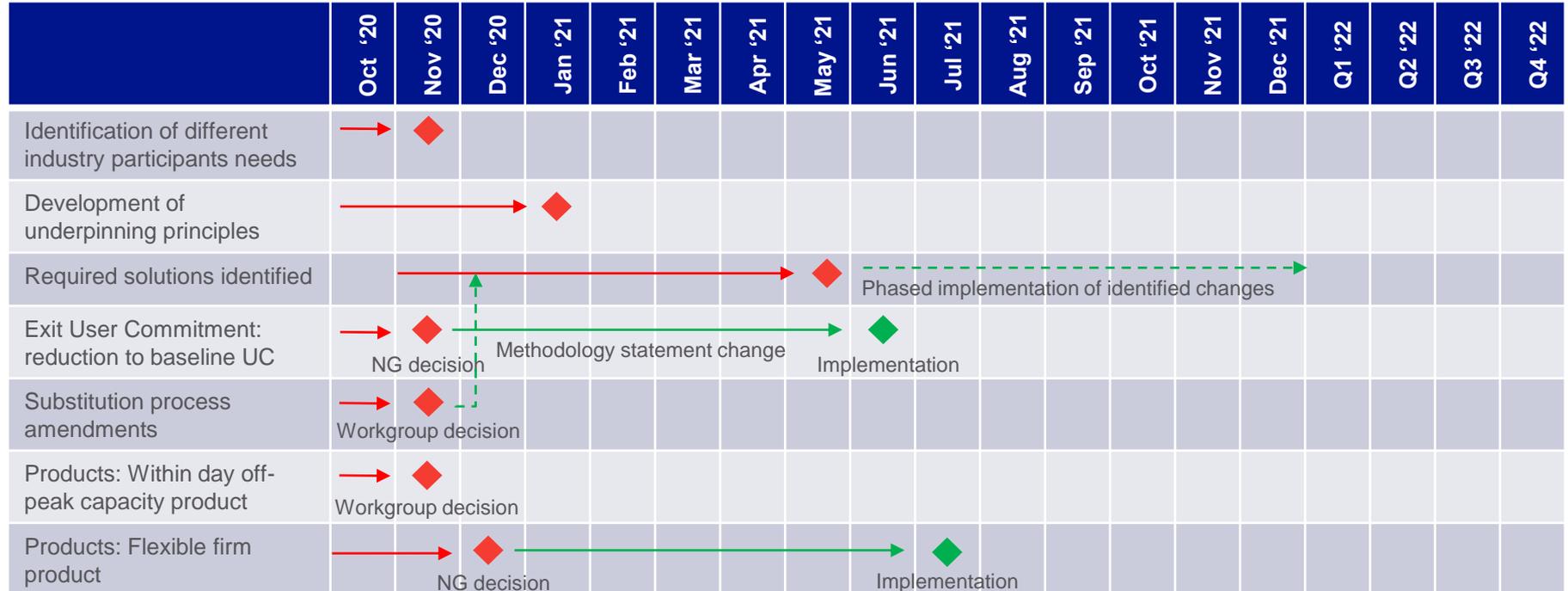


# Review of the Exit Regime: Timeline

Red = firm commitment

Green = dependent on decision point

The timeline below shows the Workstreams that relate to the exit side only



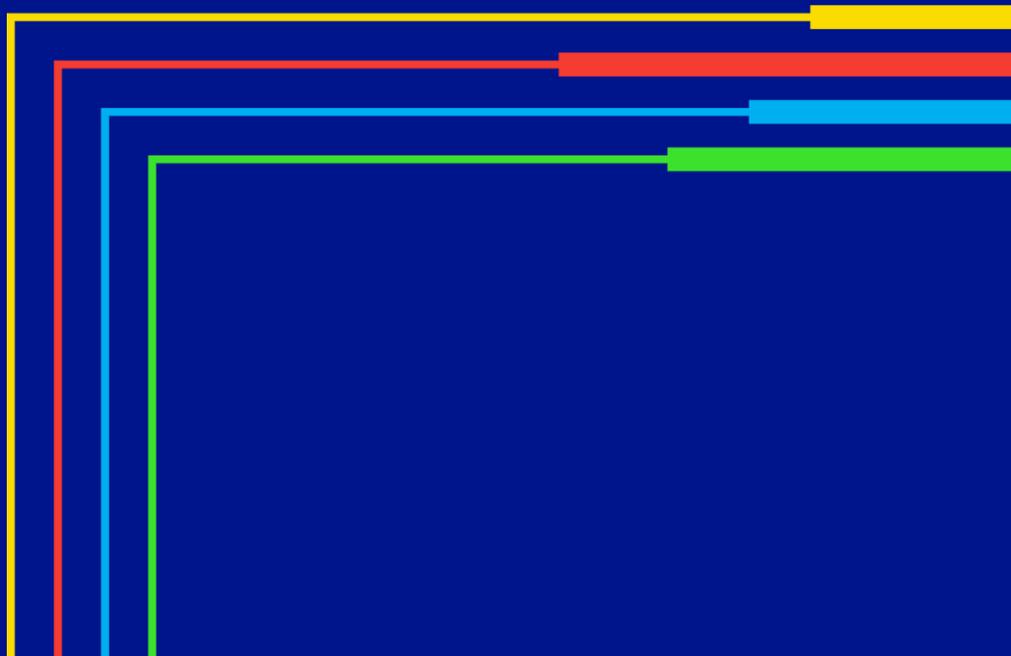
# Review of the Exit Regime: Needs of different market participants

<b>Power Stations</b>	<ul style="list-style-type: none"><li>- CCGT's want to be able to react quickly and flexibly to the electricity market</li><li>- Shorter term, flexible products to be available so capacity is available when needed</li></ul>
<b>Storage</b>	<ul style="list-style-type: none"><li>- Want to be able to react to market price and therefore more active in shorter term auctions</li><li>- Would be concerned about capacity being used for substitution purposes</li></ul>
<b>Industrial &amp; Commercial</b>	<ul style="list-style-type: none"><li>- Want a reliable baseload of capacity for more continuous offtake</li><li>- Long-term capacity and price certainty</li></ul>
<b>Interconnectors</b>	<ul style="list-style-type: none"><li>- Want to be able to react to market price</li><li>- <i>Auctions different at Interconnectors</i></li></ul>
<b>Distribution Networks</b>	<ul style="list-style-type: none"><li>- 1 in 20 demand obligations to meet, therefore requiring long-term capacity certainty</li><li>- Flexibility to amend the long-term bookings / location of bookings as demand forecasts are refined</li></ul>

# 04

## Exit User Commitment

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# Charging impact (678A)

*New Action 0902: Exit User Commitment - National Grid (JR) to advise Workgroup National Grid's decision on the proposed Exit User Commitment option forward by the November 2020 meeting, providing a progress update in October 2020.*

- National Grid has consulted with the industry on aspects of the proposal and is considering options
- Enhanced Obligations – Capacity Access team involved in discussions

National Grid looked at the impact of the new charging regime on 2020 Enduring flat applications.

2019v2020 Enduring increases (comparison in mcm)	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9	Zone 10	Zone 11	Zone 12	Zone 13
>0.3	2	1	3	1	0	4	0	0	4	1	0	0	2
0.31-0.50	1	2	1	0	2	0	0	0	0	0	1	0	0
0.51-1.00	1	2	0	0	1	0	0	0	0	0	0	0	0
1.01-1.50	0	0	0	0	0	0	0	0	0	0	0	0	0
1.51-2.00	0	0	0	0	0	0	1	0	0	0	0	0	0

Not much change in Enduring bookings is visible following the July application window.

# History

Prior to the DN sales, DNs were allocated capacity based on estimated maximum daily quantity to ensure they can meet their 1in20 obligations on annual basis. TCCs had to make their requirements known on annual basis. Where additional capacity was required, NGG would enter into ARCA with the DN or TCC.

The concept of 4 year User Commitment period was developed as a part of Enduring Offtake Arrangements in 2005. It was based on 42 months lead time for typical expenditure profile of the cash payments or financial commitments for pipeline work.

In 2006, Enduring Offtake Arrangements Workgroup looked at rules for Exit User Commitment and proposed 4 years period for capacity above baseline. In their last meeting, capacity requests within baseline were questioned: *'NG agreed that the 4 year commitment would apply but offered to include a new rule within the business rules that would reduce the level of commitment to 1.5 years if the required increment is below the baseline. NG however indicated that this may increase complexity for users.'* No mention of this can be found in the business rules.

Mod 116V (2009, rejected) *providing financially backed signals for Capacity requirements to minimise the risk of investment inefficiencies (...) allows Users to request the reduction of their capacity holdings with a 14 month reduction notice period (as long as they have not requested incremental NTS Exit (Flat) Capacity with the associated commitment period)* GEMA supported proposed reform of UC and didn't think it erred its analysis regarding it, but allowed E.ON's appeal to proceed to CC based on other grounds. 116V decision was quashed.

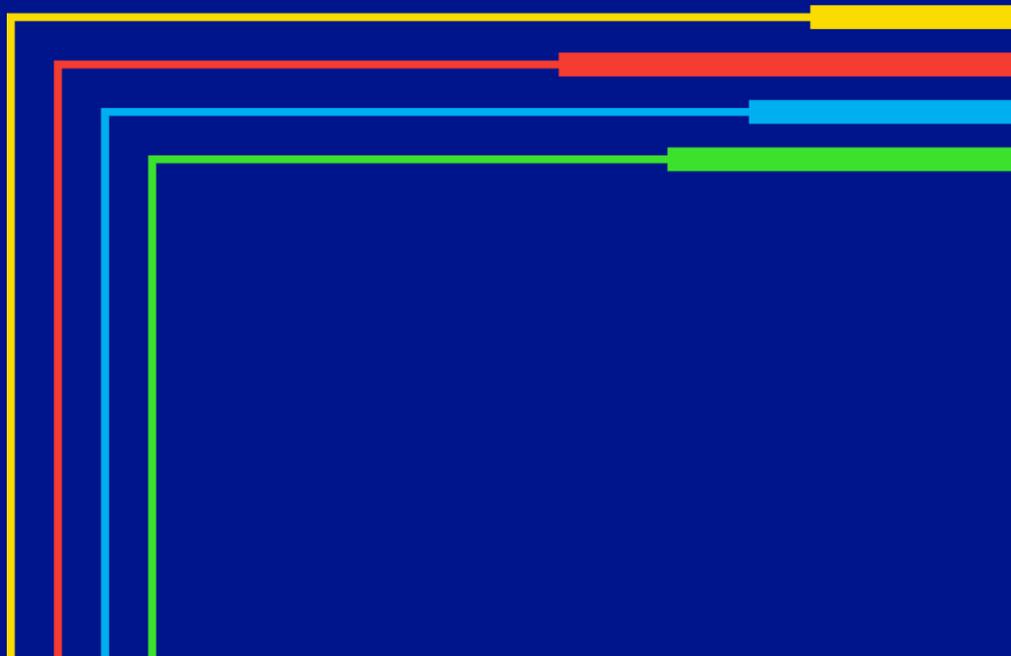
Mod 195AV (2009, implemented) *The Authority thinks that shippers are better placed than the network companies to manage the risks associated with whether investment should be triggered on the NTS and (...)should bear a higher proportion of the risk associated with this investment than they currently do (Ofgem's decision letter).* 4 year User Commitment including capacity within baseline was implemented.

Mod 0417S (2012, implemented) removes the requirement for the 14 months' notice to apply for reductions in Enduring Annual NTS Exit (Flat) Capacity at July application windows, where the User Commitment Amount (UCA) has been satisfied in advance.

# 05

## Substitution

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# Options - summary

#	Description	TAG	Pros	Cons
1	Proving a notice of geographical location of application (and an opportunity to buy capacity) (Enduring and QSEC)		<ul style="list-style-type: none"> <li>• Would make the process more akin to when triggered through PARCA</li> <li>• Another opportunity to buy capacity given the changed landscape that they are now making decision on</li> </ul>	<ul style="list-style-type: none"> <li>• There is currently <b>no process</b> available for Users to book the capacity following receipt of the notice</li> <li>• Examples of where capacity has been used for substitution, triggered through a PARCA, when required by party active at an exit point (<b>no specific information on donor site provided</b>)</li> </ul>
2	All capacity signals to be met via substitution to be signalled through PARCA		<ul style="list-style-type: none"> <li>• Notification provided and PARCA window triggered</li> <li>• More transparent substitution process</li> </ul>	<ul style="list-style-type: none"> <li>• Examples of where capacity has been used for substitution, triggered through a PARCA, when required by party active at an exit point(<b>no specific information on donor site provided</b>)</li> <li>• <b>PARCA fee</b></li> </ul>
3	PARCA Confidentiality – geographical location of PARCA applicant made public at Phase 1		<ul style="list-style-type: none"> <li>• Gives information on project site location – enables more accurate analysis of potential donor sites</li> </ul>	<ul style="list-style-type: none"> <li>• Industry concerns related to potential <b>anticompetitive behaviour</b></li> </ul>
4	First Refusal		<ul style="list-style-type: none"> <li>• Would ensure capacity isn't “required” before being substituted away</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Perpetual circle of substitution analysis</b></li> <li>• Chargeable party?</li> </ul>
5	Retainer (an amended entry provision)		<ul style="list-style-type: none"> <li>• Allow User's to indicate need for capacity without having to fully commit</li> </ul>	<ul style="list-style-type: none"> <li>• Loosely based on existing entry product</li> <li>• Balance between costs and impact</li> </ul>
6	Methodology change (disconnected sites)		<ul style="list-style-type: none"> <li>• Currently being considered – see next slide</li> </ul>	<ul style="list-style-type: none"> <li>• Currently being considered – see next slide</li> </ul>

# PARCA Confidentiality

*New Action 0906: PARCA Process – JR to provide an understanding of the obligation on the 6 months Phase 1 stage and what happens if the analysis can be delivered sooner; if the analysis is ready earlier do National Grid liaise with the applicant; what is the process when National Grid has completed the analysis?*

- National Grid informs PARCA applicants of progress usually once a month
- More substantial update is provided after a couple of months when we have a better understanding about the mix of potential solutions
- Once analysis are completed, National Grid goes back to applicant regardless of where we are in Phase 1, and enquire whether the applicant is ready to receive the contract
- Once the contract is issued, the applicant has 28 days to scrutinise and sign
- The industry notice is issued at the same time as the contract

# Retainer

- Retainers provide Users with an alternative to buying capacity. Users are able to exclude capacity at potential donor ASEPs from being treated as Substitutable Capacity without having to buy and be allocated the capacity and without having to enter into a PARCA.
- Currently available for Entry points only.
- Retainer fee is applicable for the amount of capacity to be reserved.
- The retainer Window opens 2 months prior to the QSEC auction and 2 months prior to the Annual auction.
- Each retainer is “tagged” to a specific year. The default year is Y+4, i.e. for a retainer taken out in January 2016 the tagged year is Oct 2019 to Sept 2020. Alternatively, a Shipper User may tag their retainer to year Y+5 or Y+6. For a refund to be made capacity must be allocated for the tagged year.

# Disconnected/decommissioned sites

*New Action 0904: Substitution Progress - National Grid (JR) to provide further information around the disconnection process and how physical and commercial disconnection interact.*

What is meant by physical disconnection or decommissioning?

- Customer NTS **disconnection** - the physical separation of the two parties assets, positive isolation within the NTS compound to ensure safe and enduring capability of remaining NTS assets
- Customer asset **decommissioning** - where requested to do so NTS will remove customer/NTS assets from customers land and NG NTS **decommissioning** - NTS removal of its own assets, may or may not be linked to customer NTS disconnection and decommissioning works
- Mothballing – preservation of assets (we will conduct ongoing site maintenance to make sure the site is safe and preserved if in the event the customer wishes to bring the site back ‘on stream’.)

Currently Users are able to physically disconnect from the NTS however there is no process to facilitate a commercial decommissioning.

Disconnected sites with existing baseline can be used in substitution.

# Inactive sites

- Sites with 0 baseline and 0 capacity bookings

Air Products (Teesside)	Tilbury Power Station	Cambridge
Coryton 2 (Thames Haven) Power Station	Barrow (Bains)	Rollswood Kintore
Saltfleetby Storage (Theddlethorpe)	Drakelow Power Station	Wyre Power Station
Bacton (Baird)	Trafford Power Station	Cockenzie Power Station
Crawley Down Spalding 2 (South Holland) Power Station	Barrow (Gateway)	Canonbie
Brine Field (Teesside) Power Station	Hatfield Power Station	
Deborah Storage (Bacton)	Willington Power Station	

- Sites with baselines, but inactive (e.g. no recent capacity booking). As some sites have (potential) redevelopment projects we have provided aggregated information (GWh/d). \*

Site type	No. of sites	Baseline – Entry	Baseline - Exit
Storage & LNG	6	982.3	8.94
Industrial / PS	≈8	n/a	<= 292.4

- 1 small onshore field (entry) identified
- This is an indicative view, and NG recognises it does not have perfect information on third party sites and their intentions

# Scenarios

	#	Baseline	Connected to NTS	Capacity sold
Single (or no Connection) ASEP and exit point	1	0	x	x
	2	0	✓	x
	3	0	x	✓
	4	>0	✓	✓
	5	>0	x	✓
	6	>0	✓	x
Multi SEP ASEP	7	0	✓	✓
	8	>0	✓	✓

Tidy up exercise related to inactive sites would have elements of complexity around licence (trigger process) – impacts on baselines, revenue, site classification (definitions), capacity/user commitment and substitution.

# Prioritising disconnected sites

*New Action 0905: Substitution Progress - National Grid (JR) to further investigate whether capacity at disconnected sites could be prioritised in the substitution process.*

The current rules prioritise substitution from disconnected NTS Exit Point only if the exchange rate is 1:1 or lower. National Grid started considering the following options in order to prioritise substitution from a disconnected site:

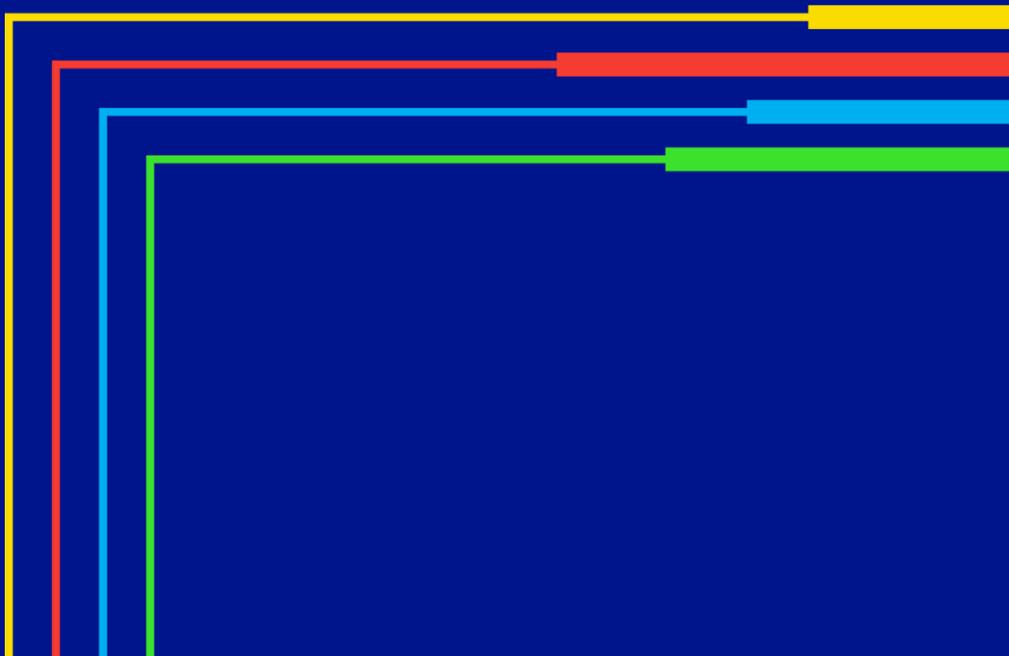
1. If it falls within 3:1 exchange rate within the zone
2. If it falls within 3:1 exchange rate regardless of where the donor site is in relation to the recipient
3. Regardless of exchange rate within zone only
4. Regardless of exchange rate and regardless of where the donor site is in relation to the recipient

Option 4 is perceived as impractical as leading potentially to loss of large volumes of capacity due to unfavourable exchange rates. Analysis and arguments in favour and against other options are to be presented at the meeting next month.

# 06

## Product development

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# Within day off-peak / interruptible product

Product	Entry
Firm Day ahead (DADSEC)	Unsold Obligated Capacity
Firm Within day (WDDSEC)	Unsold Obligated Capacity (unsold DADSEC capacity)
Interruptible Day ahead (DISEC)	- UIOLI - rolling quantity of unused firm capacity over the preceding 30 days. - discretionary

Product	Exit
FIRM Day ahead (DADNEX)	Unsold Obligated Capacity
FIRM Within day (WDDNEX)	Unsold Obligated Capacity (unsold DADNEX capacity)
Offpeak Day ahead (DONEX)	- UIOLI - rolling quantity of unused firm capacity over the preceding 30 days. - unutilised maximum NTS exit point offtake rate (MNEPOR) - discretionary

*Action 909: All Workgroup participants to provide any feedback to JR as to where National Grid is best to focus its attention to JR.*

- No feedback received

*Action 909a National Grid (JR) to work up 'promising' options in further detail.*

A differentiation needs to be made between the existing firm product(s) and a new within day off-peak / interruptible product which is to be developed. To achieve that the industry agreed that the best option to progress is to reduce the capacity available within the product and limit its availability.

National Grid considered options relating to reducing the quantity of gas available for this product, however, no suitable solution which wouldn't undermine existing within day firm product was found.

National Grid proposes to discontinue the development of this product at this stage.

# Short term product timeline

More frequently available within day firm product (feedback received)

- More frequent auctions (hourly?) to enable better profiling of bookings
- No limit in terms of quantity of gas available (obligated quantity)
- Earlier opening of within day auction (in line with PRISMA?)

PRISMA within day firm products (IPWDDSEC/IPWDDNEX):

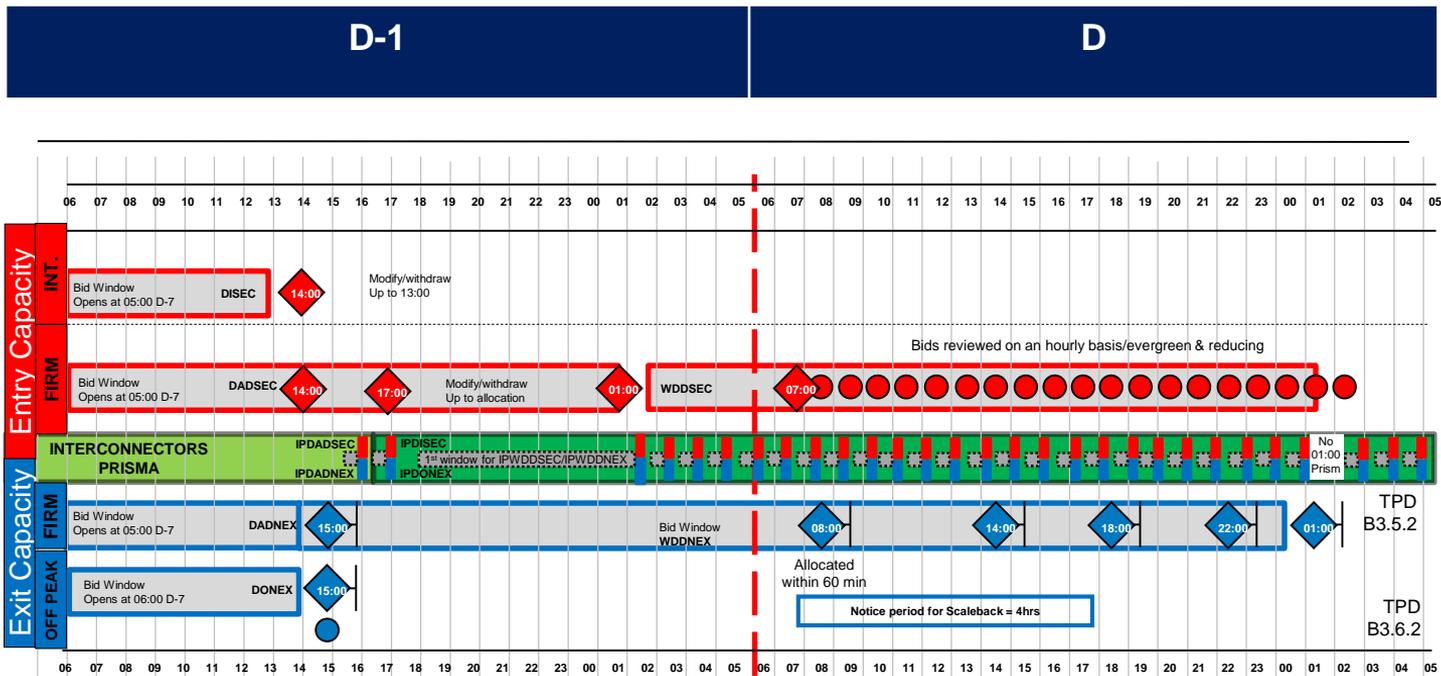
Auctions every day, beginning at the full hour

Auction finishes 3.5hrs before product runtime

First Window: Auction Start Time 18:00hrs D-1 – Close Time 01:30hrs D-1

Then at each full hour...until

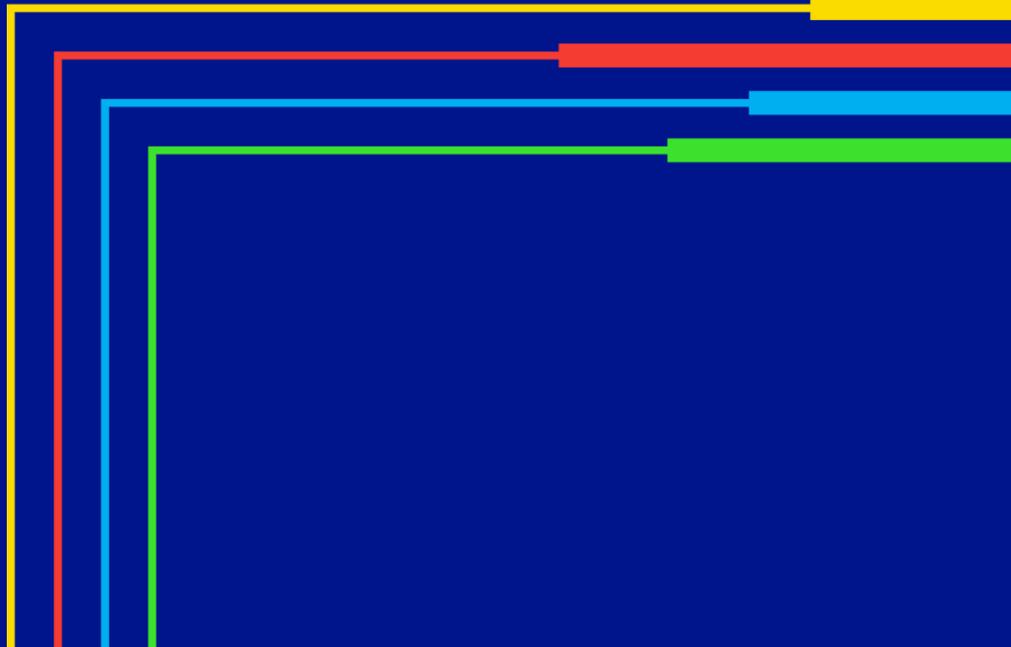
Last Window: Auction Start Time 00:00hrs D – Close Time 00:30hrs D for the allocation time 04:00-05:00 of the same gas day



# 07

## Secondary Capacity Assignments

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# NG's Work Areas

Work Area	Question / Issues	Status	Progress
<b>Principle</b>	<p>Do NG support the principle of secondary capacity assignments?</p> <p>Have the benefits to all parties been clearly identified?</p> <p>To what extent does the proposal further the relevant objectives?</p>	<p>Support in principle.</p> <p>Approval of UNC 0276 suggests there are benefits already highlighted for Exit Partial Assignments.</p> <p>Development of Exit and adaptations/adjustments to include Entry being considered.</p>	<p>No further responses from workgroup around <b>Action 0907</b> so we continue with the current preference for expedited Entry over inclusion of Exit.</p>
<b>Practicalities</b>	<p>What level of information do NG need to see?</p> <p>What do we currently see?</p> <p>To what level of detail would NG need to track capacity?</p> <p>Are there any impact on NG processes?</p> <p>Do the answers to these questions impact NG's preference on solution?</p>	<p>Although NG don't need to see price information of any third-party contractual arrangements, we would need to know the shippers involved, the capacity volumes, the dates and locations.</p> <p>Tracking of capacity would be more complex should it be in denominations other than what was procured.</p> <p>Cost of the solution must be considered as part of the decision making process.</p>	<p>Discussions planned with NG Operational Capacity experts to map and highlight potential issues and confirm that this stance is still viable.</p>

# NG's Work Areas

Work Area	Question / Issues	Status	Progress
<b>Systems</b>	<p>What are the system impacts of the request from industry?</p> <p>Impact of different options (e.g. level of denominations)</p> <p>System implications of reviewing entry and then exit</p> <p>System implications of retrospective capacity assignments</p> <p>Gemini roadmap – timing of system change</p>	<p>Initial discussions held with Xoserve</p> <p>First thoughts are that costs for a single project would be lower than standing up two separate projects, one each for Exit and Entry.</p> <p>Further discussions to be scheduled once Xoserve are in a position to advise further on high level options and potential timescales.</p>	<p>Continued discussions ongoing, we are working with Xoserve to try and expedite timescales using elements taken from UNC0276 work previously undertaken.</p>
<b>Existing contracts</b>	<p>How far does protection under Art. 35 extend?</p>	<p>Internal discussions planned.</p> <p>Topic interacts with several ongoing projects and modifications, so views are being sought from a number of perspectives to ensure consistency.</p> <p>Legal input required before any position is formulated.</p>	<p>Internal discussions held, and questions passed to legal to help form a view. These may need external legal guidance.</p> <p>Findings will be shared with Ofgem to further <b>Action 0908</b>.</p>

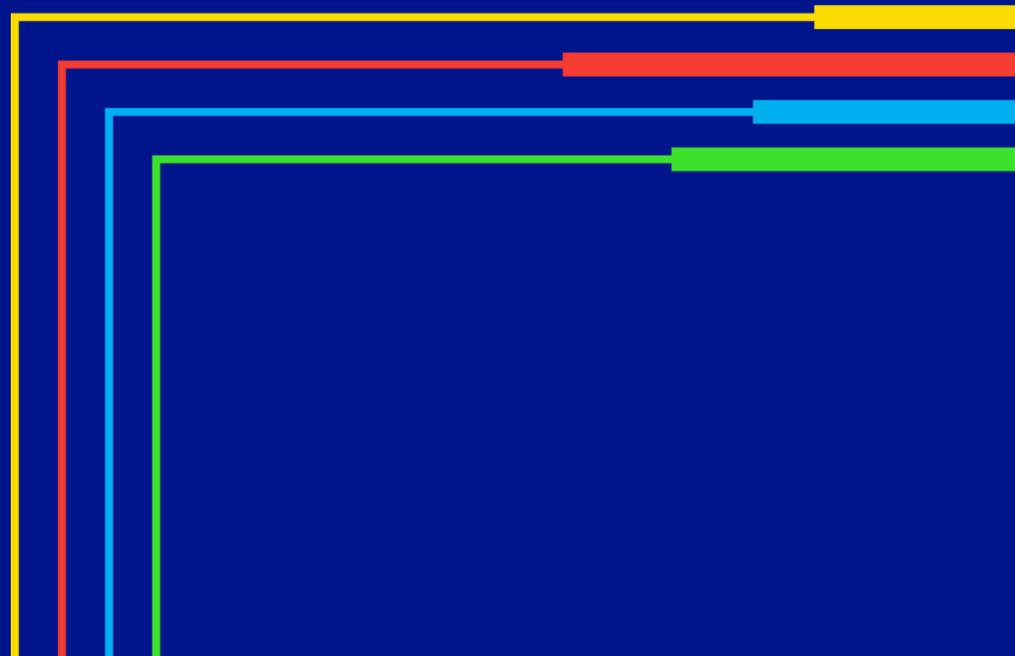
# NG's Work Areas

Work Area	Question / Issues	Status	Progress
<b>Dormant shipper capacity assignments from their holdings</b>	NG's view on retrospectivity Ofgem's view on retrospectivity	Not yet considered.	TBC
<b>Storage</b>	Does the specific set-up of Storage sites create any additional complexities?	Discussions with Storage operators to be planned in to understand any storage specific requirements in more detail.	TBC

# 08

## Workgroup Report

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# Workgroup Report

*New Action 0910: Development of Workgroup Report - National Grid (JR) agreed to provide an update to the Impact on Central Systems and Process*

- Completed in Workgroup Report

*New Action 0910a: Development of Workgroup Report – National Grid (JR) to review next steps under each section of the Workgroup Report and consider how it is to progress*

- Completed, additional text and tweaks to timeline included in Workgroup Report

*New Action 910b: Development of Workgroup Report – All Workgroup participants to review the Workgroup Report ahead of the next Workgroup*

*New Action 0912: Development of Workgroup Report – NGN (EB) and National Grid (JR) to provide further clarity on why Exit User commitment is being removed [on the drivers for looking at amending the User Commitment requirements]*

- Completed and new / additional text included in draft Workgroup Report

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