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## **RE: Capacity Access Review – Strategy Consultation (National Grid)**

Dear Ashley, Jennifer,

We would like to thank you for the initiative, and we are glad to contribute with this response to your Strategy Consultation paper.

Whilst we provide you with our high-level view on the most relevant issues that we believe deserve attention in regard to capacity access, we consider the consultation as part of a wider process which needs to remain open and flexible as new issues emerge and/or consequences of upcoming parallel reforms e.g. GTCR, RIIO-T2, produce their effects.

Q.1 Do you wish your consultation response to remain anonymous?

No

Q.2 How would you describe your interest within the gas industry? E.g. (Shipper, Distribution Network, Storage Facility Operator etc.)

Shipper and gas supplier.

### **Long-Term Ambition Statement**

Q.3 On a scale of 1-10, (1-very strongly disagree, 10-very strongly agree). Do you agree with the long-term ambition statement set out by National Grid NTS in section 6?

5 – Generally we support the ambition statement, but it may be simplified and targeted removing unnecessary parts. For instance, it is redundant stating that the CAR will be compliant with relevant obligations, because this is not a choice.

Q.4 Do you have any other comments to add regarding the ambition statement?

The below is an imperfect attempt to simplify the message, but it needs more work. For instance, point 4 could be a subset of point 1; point 2 could be simplified in a way that discrimination will not be possible (but again, is there a choice?) finally point 3 deserves a better explanation.

“The future capacity access regime [...]

1. Will be flexible to changing market conditions, regimes, requirements and physical network developments.
2. Will be simple **and non-discriminatory** [...].
3. Will provide cost effective products which drive consumer value.
4. Will be dynamic and adaptable to accommodate new technologies and sources of gas to the NTS as progression is made to meet decarbonisation targets.”

Furthermore, consideration could be given to concepts like stability, robustness, promoting security and sustainability.

### **Future Functions**

Q.5 On a scale of 1-10, (1-very strongly disagree, 10-very strongly agree) Do you agree with the following functions set out by National Grid NTS in section 7.

Q.5a Signal a need for capacity requirements.

*Signal for capacity requirements: 9*

We strongly agree with the initial feedback provided by the industry. However, we have also two main additional concerns.

1. The current regime is not only expensive, but impossible to withdraw from and with risks wholly unbalanced towards the shipper providing the signal for capacity and consumers, but with no or little risk for NG. The ability for the shipper to step-back (or ‘surrender capacity’) at least in those cases when the incremental capacity investment has taken place is necessary to avoid distortions and windfall profits.
2. We are concerned about how the regime to signal the need for incremental capacity will change once the new charging regime will kick-in. If the price signal determined through the price steps necessary to meet the NPV test will be *in addition to* the floating capacity (postage stamp) price, we believe that a substantial part of the ambition statement will be unachievable because no rational market participant could underpin an investment without knowing the payable price for the capacity underwritten several years in advance.

Q.5b Manage network access where there is a short-term constraint.

*Short-term constraint management: 8*

We agree with NG that there were to be (more frequent) constraints, any capacity regime must be able to suitably manage network access. In this sense we believe that further transparency of the tools used, priority attributed, and cost sustained by NG should provide the basis for assessing the need for improvements, for instance through the preference of pure market-base mechanisms and incentivising flexibility.

Q.5c Provide users with commercial certainty on network access.

*Commercial certainty: 7*

*Financial certainty: 1*

This is another concern linked to the new charging regime which in principle should have an impact on the commercial certainty on network access. However, it is difficult to separate this completely from the financial uncertainty of not knowing the price that will be payable in future. This is not only a concern related to the FCC, but also to other variables that may determine a change in the reserve price or a Revenue Recovery Charge.

Arrangements concerning capacity substitution should become more easily accessible for instance as alternative to potential surrendering options.

Q.5d Collect Transporter allowed revenue.

*Collecting allowed revenue: 1*

Whilst NG revenue must be collected for its financial stability, the capacity access arrangements can be seen separately from the funding arrangements.

Q.5e Enable new entrants, including new sources of gas and technologies, to easily and efficiently access the NTS.

*Facilitate new sources of gas/technologies to access the NTS: 8*

Whilst we agree that the network must facilitate new sources and technologies, we do not (yet?) see the case for positive discrimination although it might be too early to draw definitive conclusions on the needs of the energy system as a whole to enable the achievement of net zero by 2050.

Once again, while risks and costs of any actions take must be assessed, the current balance of risks is disproportionately sustained by shippers and consumers, with no or little risk for NG.

Q.6 Do you have any other comments regarding the 5 future functions?

We would argue the need for consistency with new charging arrangements, the RIIO-T2 framework and GMaP initiative, although clearly have different scope.

### **Short-Term Issues**

Q.7 Are there any other issues you are experiencing with the current regime that are not outlined in Section 9 Fig. 1?

We share the view on the issues outlined in Fig.1

However, although we understand that some could be considered 'short-term issues', some others touch the backbone of the capacity access regime and will take some time to be

developed, they may perhaps been considered 'tactical', but may have implications in the longer term.

Among these, in addition to the areas of concern highlighted in response to question 5a, we believe that the development of a proposal about a potential zonal capacity regime should be a priority.

I hope you will find this response helpful. If there are any of the points raised in this response that you would like to discuss feel free to contact me at [riccardo.rossi@centrica.com](mailto:riccardo.rossi@centrica.com).

Yours sincerely,

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