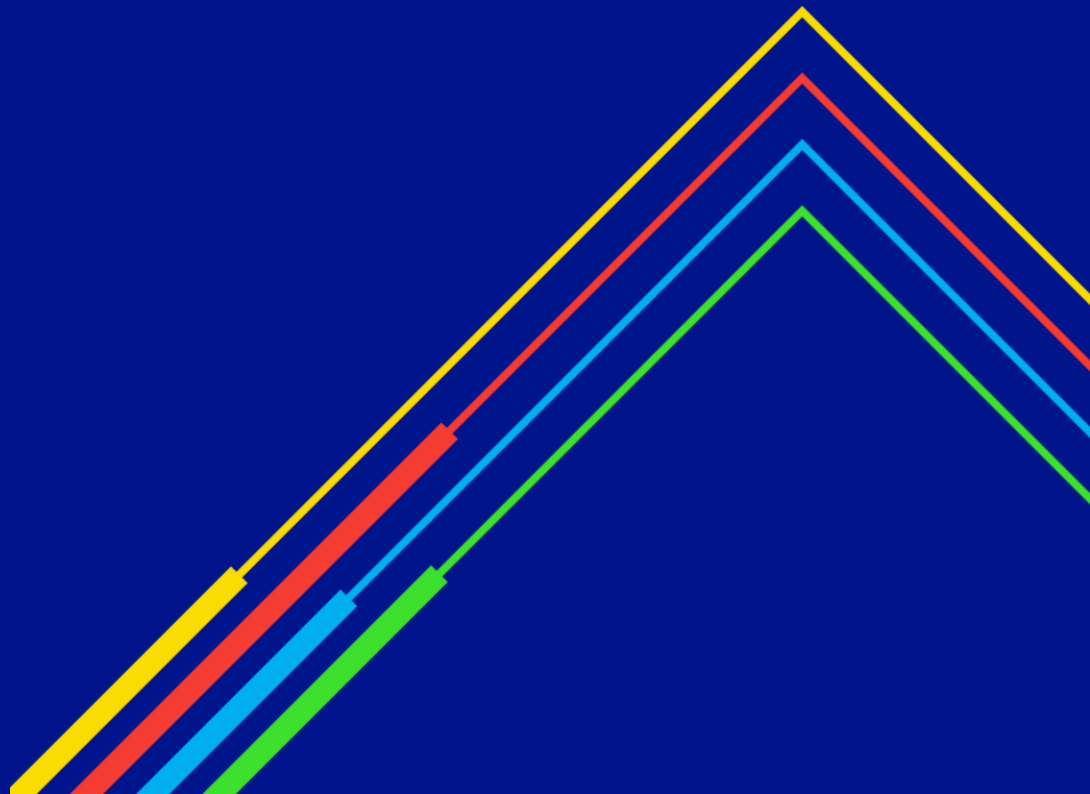


Capacity Access Review

Transmission Workgroup

3rd September 2020

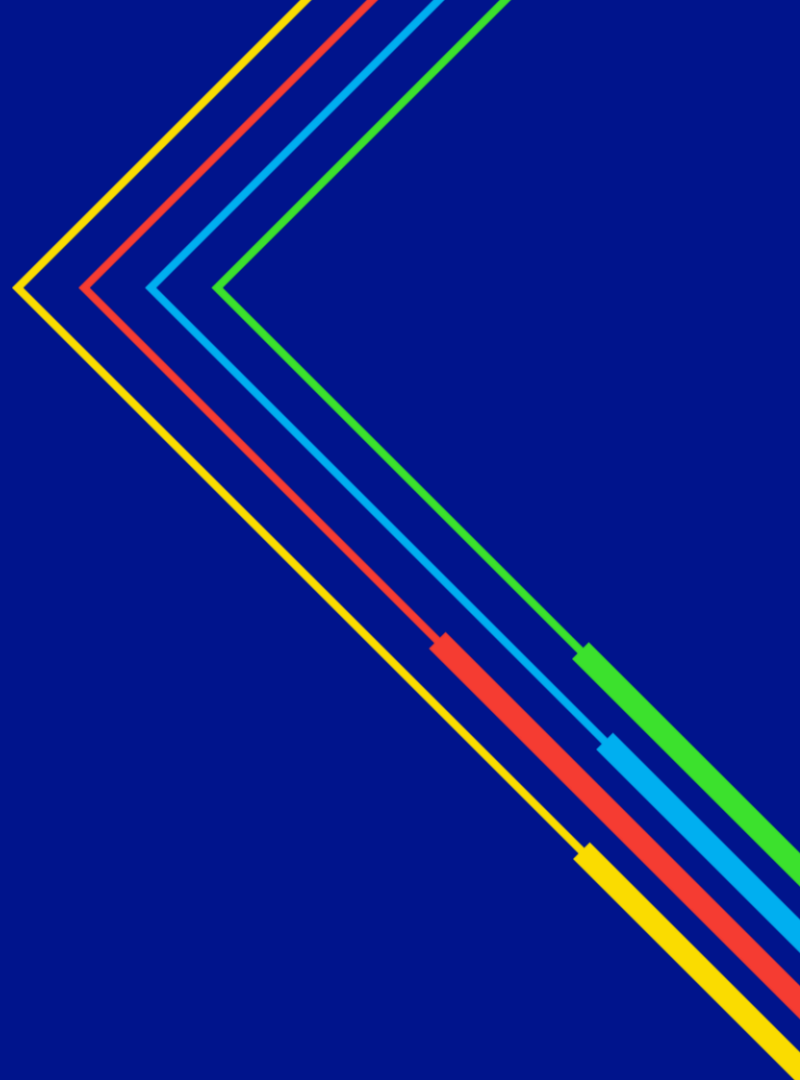
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01

Entry User Commitment

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Entry User Commitment

Existing action 0701: *Entry User Commitment: National Grid (JR) to provide a progress update on the changes to the User Commitment requirements in the ECR methodology*

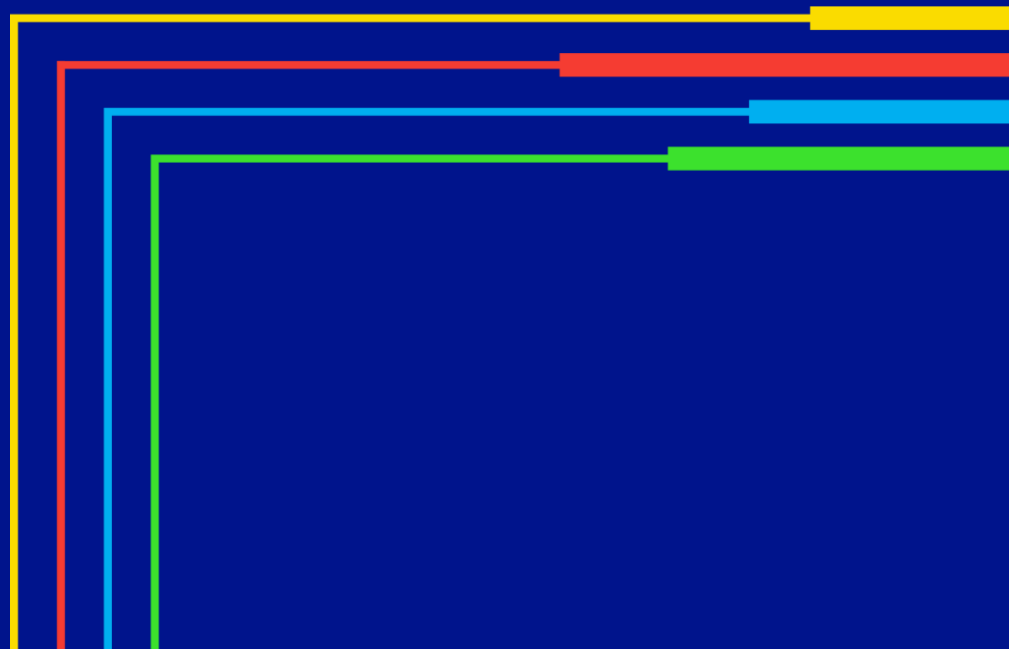
Proposed Entry Capacity Release Methodology text change:

- 54.** A PARCA (see chapter 5 for more details) can be used by Shipper Users and Reservation Parties to reserve existing **Obligated Entry Capacity** as well as **Incremental Obligated Entry Capacity**. Any capacity applied for through a PARCA will only be reserved ~~if a capacity amount is requested for at least x quarters in a 32 quarter period, where quarter 1 of the 32 quarter period is the first quarter capacity is requested for, and x is the PARCA minimum duration quantity. Where~~ where the capacity application can be satisfied:
- (a) From any **Available NTS Entry Capacity** at the point in question then the **PARCA minimum duration quantity** shall be as per UNC Section B 1.17.7(c)(ii)²⁶; ~~or~~
 - (b) By entry capacity substitution then the **PARCA minimum duration quantity** shall be the application amount signalled in 4 quarters of the 32-quarter period with those 4 quarters being in 4 different years; or as per the rule above for Available NTS Entry Capacity.
 - (c) By the release of **Incremental Obligated Entry Capacity** then the **PARCA minimum duration quantity** shall be as per the rule above for substitution, para 54 (b).

02

Exit User Commitment

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Exit User Commitment Reduction

This work stream is considering whether User Commitment for exit capacity within baseline could be reduced

- Since the last Transmission Workgroup, further follow up meeting with Distribution Networks.
 - The Enhanced Obligation framework, to be introduced under RII02, will promote efficiency and transparency in the way NG and GDN's work together to operate the network as a whole.
 - There is a potential that a reduction in User Commitment would support this new way of working, therefore discussions need to be conducted in parallel with framework development.
- NG is assessing the impact of the new charging regime on 2020 Enduring capacity applications and also on the impact of the User Commitment duration
- Next steps: to take all the feedback received, analysis carried out and evidence gathered to date through internal processes to take a decision on NG's position

Exit Regime Review

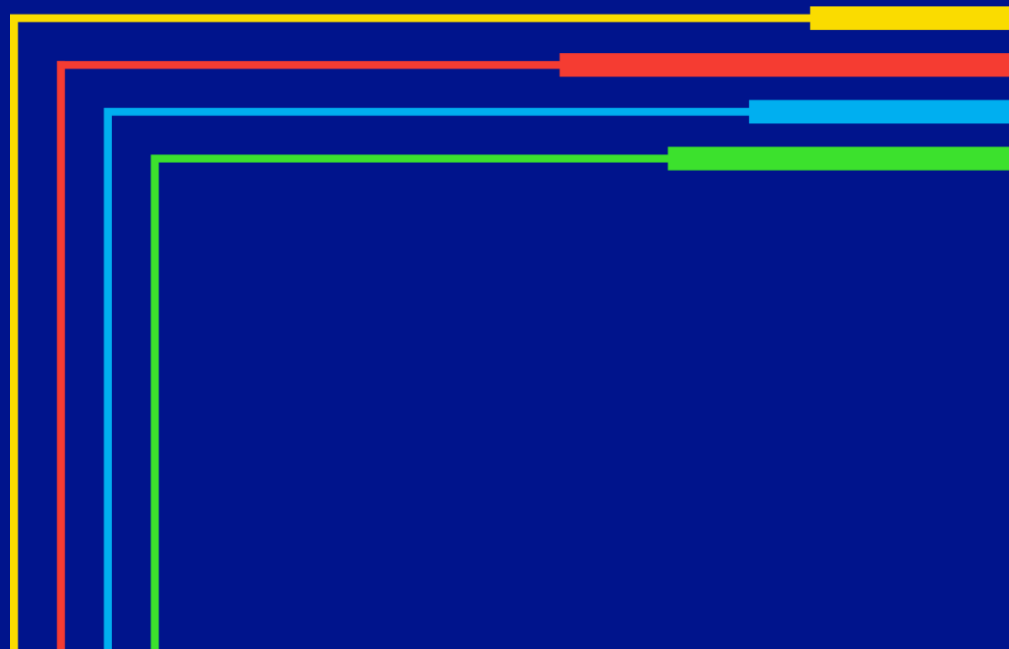
Action 0404: National Grid (JR) to explore longer-term options for the exit capacity regime (including mirroring the entry regime on the exit side and zonal options and feed into consultation). Review Date: September 2020

Action 0501: National Grid to develop consultation regarding the User Commitment options in September

03

Substitution

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Substitution process

Action 0704: Ofgem to review the concerns raised about the availability of excess capacity and previously provided view that there is plenty of capacity available through the PARCA process

Action 0801: National Grid (ASt) to investigate the preferential substitution from 'closed sites' and to provide a definition of closed site.

Exit substitution methodology defines a disconnected site as:

An NTS Exit Point shall be considered to have been disconnected if the connection to the NTS has been isolated and the associated connection agreement (e.g. Network Exit Agreement) has been terminated.

Current rules state:

33. Substitution from a disconnected NTS Exit Point, if it has an exchange rate of 1:1 or lower, **shall be considered before substitution from other** NTS Exit Points.

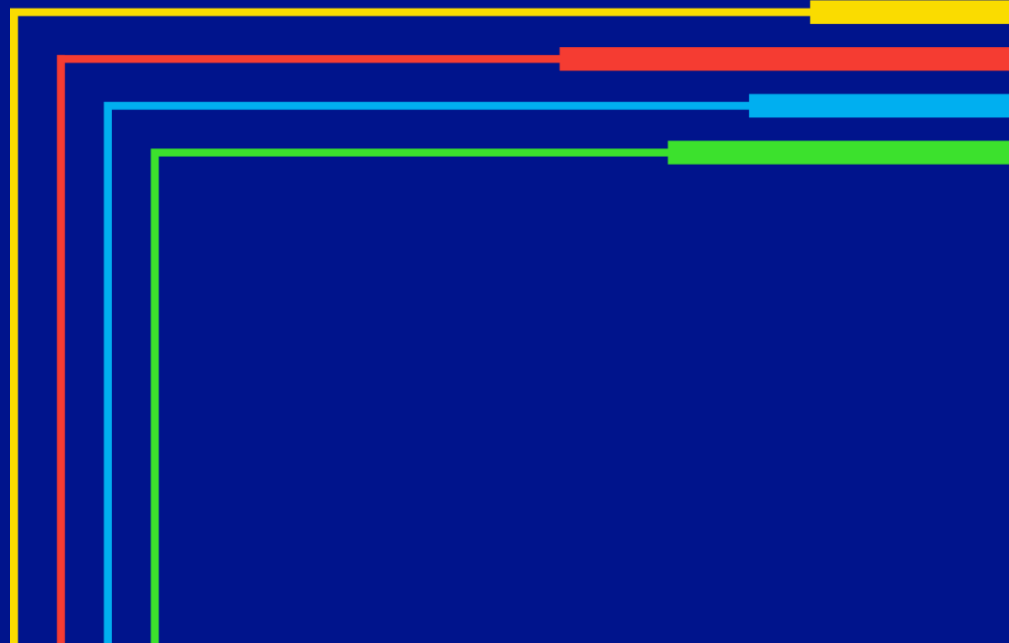
37. In the event of two or more potential donor NTS Exit Points being **an equal distance** from the recipient NTS Exit Point then the donor NTS Exit Point providing the lowest calculated exchange rate will be selected. In the event that exchange rates are equal, capacity shall be **reduced first at disconnected donor NTS Exit Points** and then at each other relevant donor NTS Exit Point, in proportion to the available Substitutable Capacity at each of these donor NTS Exit Points.

Action 0706: National Grid (JR) to consider transparency of projects and the use of Confidentiality statements and disclosure agreements.

04

Secondary Capacity Assignments

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Scope outline – requirements of interested parties only

Whilst National Grid is facilitating these discussions, these requirements represent the views of those Shippers involved and not National Grid at this time.

Shippers requirements (from those in discussions)	Details
Assignments on Entry and Exit	Entry considered the priority over Exit.
Liabilities	<ul style="list-style-type: none">• Industry preference is that the recipient of the assignment pays no more to NG than the original holder. New party becomes liable for capacity on assignment, old party's liabilities cease• i.e. Where the original price is not floating, for example; Existing Contracts, the original price is protected
Frequency and denominations	Capacity can be assignable in any denomination, multiple times
Dormant shippers and capacity assignments from their holdings	Assign capacity from legacy arrangements even if it's been subject to a transfer and management of intercompany arrangements
Storage third party auctions	Assignment of storage entry capacity from all storage sites
TAR NC Compliance	TAR NC and UNC compliance consideration needs to be part of the process (e.g. use of Existing Contracts)

NG's Work Areas

Work Area	Question / Issues	Progress	Conclusion
Principle	<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>	TBC
Practicalities	<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>	TBC

NG's Work Areas

Work Area	Question / Issues	Progress	Conclusion
Systems	<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>	TBC
Existing contracts	<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>	TBC

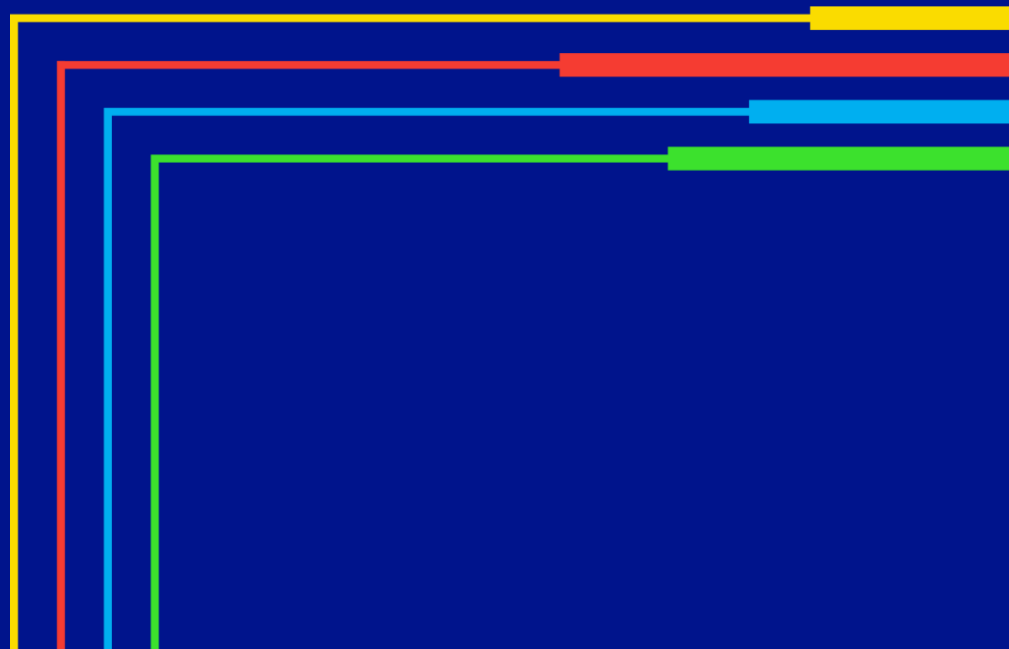
NG's Work Areas

Work Area	Question / Issues	Progress	Conclusion
Dormant shipper capacity assignments from their holdings	NG's view on retrospectivity Ofgem's view on retrospectivity	Not yet considered.	TBC
Storage	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

05

**Within day off-
peak / interruptible
product**

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Within day off-peak / interruptible product - Options

Users would like an extension of the day ahead off-peak / interruptible product to within-day timescales, mirroring the within day allocation timescales. Introducing a product as Users have requested, given the level of historical scale back, would effectively mean there would be a “firm” product at a discounted price. This is likely to create an under-recovery of revenue which would be smeared back to wider industry, either via the Revenue Recovery Charge or by an increase to the Reserve Prices.

	Exit	Entry
Firm	<p>DADNEX – Day ahead daily NTS exit capacity</p> <p>Submit request for unsold obligated firm exit capacity from D-7 6am until D-1 2pm and will be allocated at D-1 3pm</p> <p>WDDNEX - Within-day daily NTS exit capacity</p> <p>Submit requests from D-1 2pm until midnight on the Gas Day. All allocation take place on the gas day at 8am, 2pm, 6pm, 10pm and 1am (at any other time in the gas day with an hours notice)</p>	<p>DADSEC – Day ahead daily system entry capacity</p> <p>Allocated at the day ahead stage at 2pm, 5pm and 1am. Shippers bid up to 7 days before, can be modified or withdrawn and new bids added up to allocation times. 33% discount to MSEC reserve price applied. Further non-obligated can be made available at NG's discretion</p> <p>WDDSEC – Within day daily system entry capacity</p> <p>Available capacity increases by 1/x (x is number of hours left in the day). Bids allocated hourly. Zero reserve price for within day allocations, last allocation at 2am. Bids can be evergreen or reducing</p>
Off-peak / Interruptible	<p>DONEX – Daily off-peak NTS exit capacity</p> <p>Submit requests from D-7 6am until D-1 2pm. Allocated at D-1 3pm. Zero reserve price. Allocate bids that exceed available unsold at discretion. Quantity released:</p> <ul style="list-style-type: none"> - UIOLI: unused firm capacity over proceeding 30 days - Unutilised MNEPOR: where demand forecast is less than 80% of the annual peak 1-in-20 demand forecast, NG releases capacity up to MNEPOR* - any discretionary amount NG decide to release 	<p>DISEC – Daily interruptible system entry capacity</p> <p>Available on a daily basis for each ASEP. Allocated at a day ahead stage by 2pm, with shippers able to enter bids 7 days in advance. Bids modified or withdrawn up to 1pm. Zero reserve price.</p>

Options: Limited volume released per day

These options would reduce the volume of capacity being offered and base it on one of the following criteria (new booking behaviour might impact quantities available after 1st October 2020):

Option 1 – Roll forward any unsold capacity from day ahead

- Firm capacity: an identical product would be being offered as the within day firm product at a discounted price with minimal risk
- Off-peak / Interruptible: Undermine the within day firm product

Option 2 – Roll forward UIOLI only (or % of) [+ quantity decreases gradually as the gas day progresses]

- This could be further restricted e.g. remaining UIOLI only if sold firm day ahead >50% of quantity offered
 - Risk that there would be none available, particularly at a single User site

Option 3 – Roll forward MNEPOR amount (*unutilised maximum NTS exit point offtake rate*)

- MNEPOR is applicable on Exit only, a separate solution would be required for entry

Option 4 - Firm capacity sold out (Day Ahead)

	DAY AHEAD (DADSEC)		
	Sum of Quantity Sold (kWh)	Sum of Amount offered for sale (kWh)	% of gas available sold
Avonmouth	-	65,085,900,000.00	0
Burton Point	-	22,008,107,741.00	0
Barrow	-	104,491,516,799.00	0
Barton Stacey	-	29,983,800,000.00	0
Bacton	611,000.00	88,544,214,952.00	0.0006
Cheshire	-	10,378,170,000.00	0
Dynevor Arms	-	17,787,000,000.00	0
Easington	392,473,760.00	245,696,250,262.00	0.1597
Fleetwood	-	121,450,000,000.00	0
Glenmavis	-	35,937,000,000.00	0
Hole House Farm	-	4,777,080,000.00	0
Hatfield Moor (Onshore)	-	108,900,000.00	0
Hornsea	-	64,958,810,000.00	0
Hatfield Moor (Storage)	-	7,073,000,000.00	0
Isle of Grain	215,383,000.00	20,348,940,000.00	1.0584
Milford Haven	-	17,313,000,000.00	0
Partington	-	74,327,505,000.00	0
St Fergus	370,128,255.00	580,319,161,544.00	0.0637
Teesside	-	130,719,539,761.00	0
Theddlethorpe	-	218,418,300,000.00	0
Wytch Farm	-	1,197,900,000.00	0
Grand Total	978,596,015.00	1,860,924,096,059.00	0.0525

- This option would make the product available only if the capacity at a particular point has been sold out in the day ahead firm auction
- The table shows the amount of gas purchased in the Day Ahead DADSEC auction v capacity available and refers to period between 1st July 2019 – 30th June 2020 at Entry points
- Figures demonstrate that only small quantities of gas are being purchased via DADSEC
- Data for the same period was being looked at on Exit. There has been no capacity sold via DADNEX (day ahead firm capacity auction)
- Users behaviour might change from 1st October 2020

Option 5 - Firm capacity sold out (Within Day)

	WITHIN DAY (WDDSEC)		
	Sum of Quantity Sold (kWh)	Sum of Amount offered for sale (kWh)	% of gas available sold
Avonmouth	-	65,623,800,000.00	0.00
Burton Point	2,184,250,000.00	22,186,648,742.00	9.84
Barrow	39,207,317,408.00	105,364,602,563.00	37.21
Barton Stacey	94,600,000.00	30,231,600,000.00	0.31
Bacton	110,402,153,905.00	110,434,445,825.00	99.97
Cheshire	71,972,130.00	10,463,940,000.00	0.69
Dynevor Arms	49,000,000.00	17,934,000,000.00	0.27
Easington	146,909,193,618.00	255,217,925,637.00	57.56
Fleetwood	15,000,000.00	122,850,000,000.00	0.01
Glenmavis	-	36,234,000,000.00	0.00
Hole House Farm	-	4,816,560,000.00	0.00
Hatfield Moor (Onshore)	-	109,800,000.00	0.00
Hornsea	10,625,440,000.00	65,716,210,000.00	16.17
Hatfield Moor (Storage)	4,472,000,000.00	7,148,000,000.00	62.56
Isle of Grain	20,324,061,989.00	20,967,442,000.00	96.93
Milford Haven	9,368,681,950.00	17,795,638,922.00	52.65
Partington	350,100,000.00	74,972,505,000.00	0.47
St Fergus	332,571,175,602.00	585,404,014,258.00	56.81
Teesside	122,358,823,386.00	132,282,170,921.00	92.50
Theddlethorpe	140,000,000.00	220,221,300,000.00	0.06
Wytch Farm	40,837,105.00	1,207,800,000.00	3.38
Grand Total	799,184,607,093.00	1,907,182,403,868.00	41.90

- This option considers quantity of gas sold within day to guide the quantity of gas to be made available as the interruptible/off-peak product
- Nearly 42% of capacity offered in within day auction has been sold for Entry in the period between 1st July 2019 – 30th June 2020
- Data for the same period was being looked at on Exit. There has been very low quantity of gas (0.11% of quantity available) sold via WDDNEX (within day off-peak capacity)
- Users behaviour might change from 1st October 2020
- Timing of within day auctions may render this option impractical

Options cont.

Option 6 - Longer allocation lead times

- Requests would be made on similar timescales as WDDSEC and WDDNEX, however under this option, the allocation lead time would be extended to 4 hours due to the 4 hour scale-back lead time
- It is likely that this would not provide sufficient flexibility.

Option 7 – Limited availability and quantity

- This option will limit the number of times Users can bid for the product within day e.g. one early morning bid within day. The quantity of gas should still be limited to further distinguish the product from the firm product available.

Flexible firm product

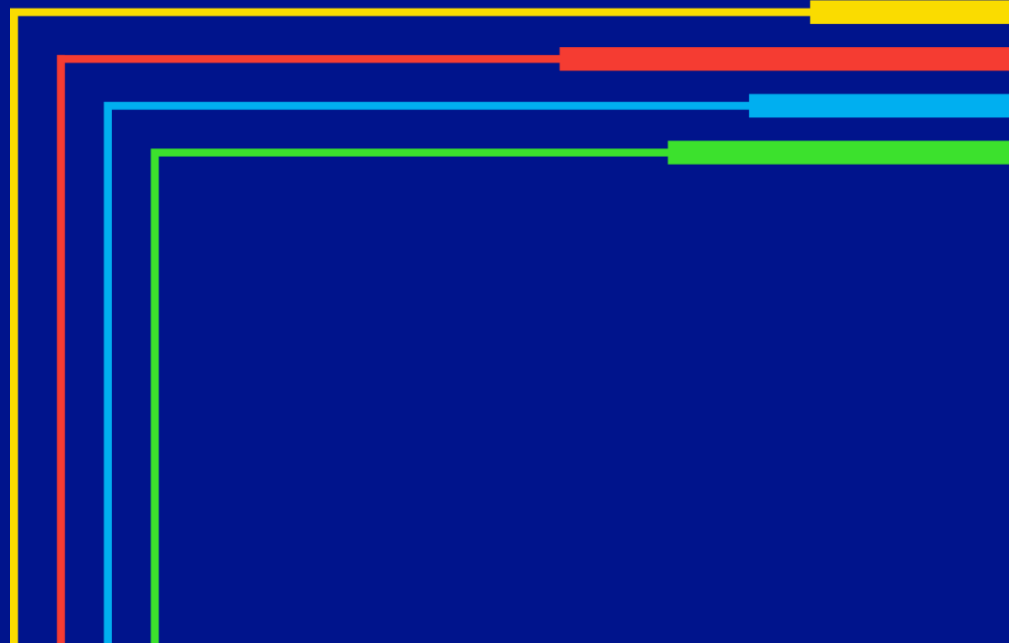
Users have highlighted the need for a more flexible, shorter term capacity product to be developed to allow for greater gas and electricity market interaction. This will become increasingly relevant with the introduction of the charging review when Users will want to match capacity bookings as closely to their flows as possible.

Process	Requests captured from	Requests captured until	Allocations
WDDNEX <i>(current exit within day firm)</i>	D-1@14:00hrs	D@00:00hrs	08:00, 14:00, 18:00, 22:00, 01:00 <i>(at any other time in the gas day with an hours notice)</i>
WDDSEC <i>(current entry within day firm)</i>	D-1@02:00hrs	D@01:00hrs	First allocation 07:00, then hourly until 02:00
<i>Amended product specification</i>	<i>In development</i>		

06

Workgroup Report

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