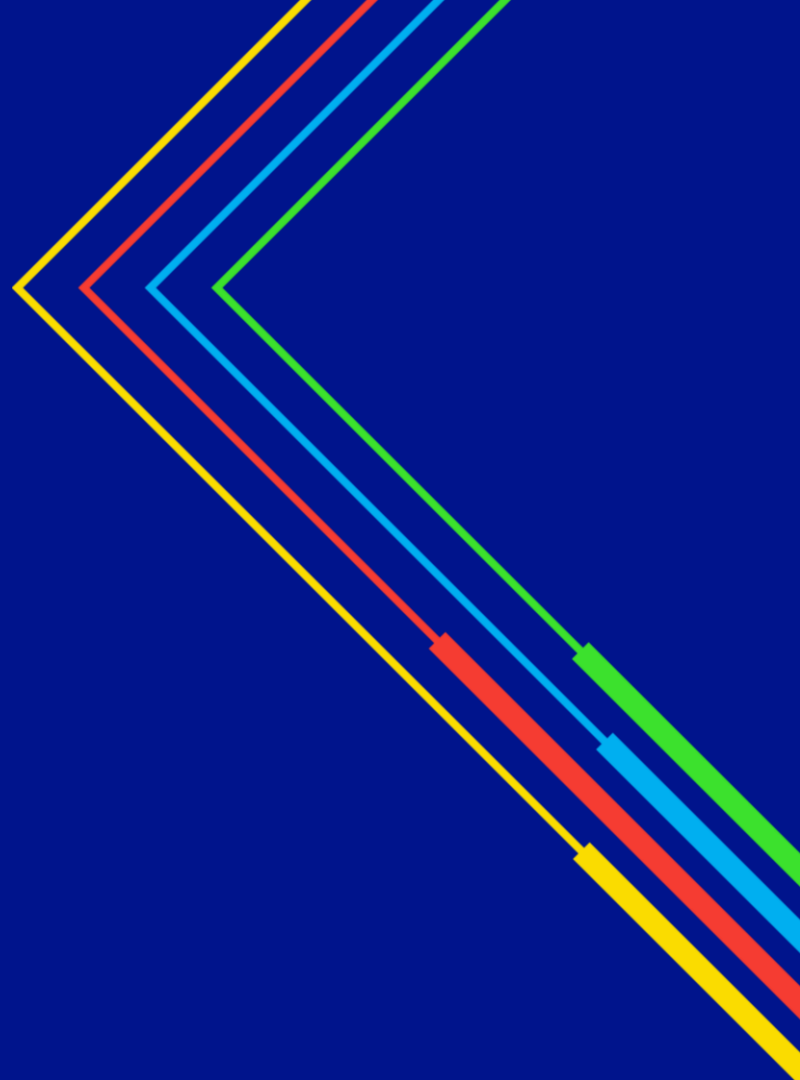


# Capacity Access Review

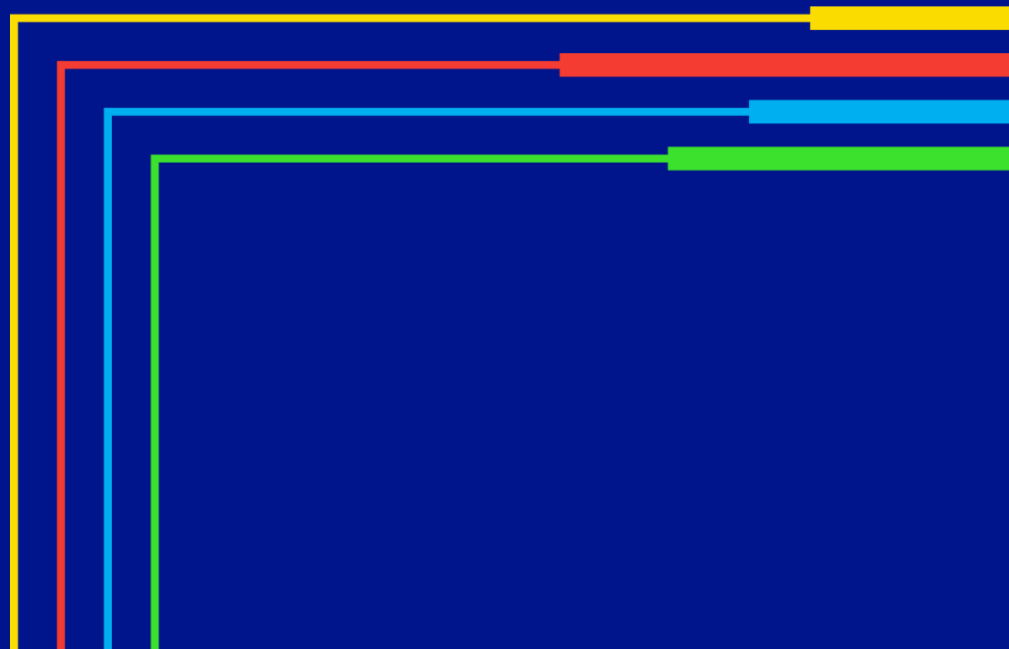
Transmission Workgroup

7<sup>th</sup> May 2020



# Entry User Commitment

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# Entry User Commitment: Options

	Requirement	Capacity Commitment	Financial Commitment
Current	Existing Capacity (PARCA)	16 quarters x application amount	
	Substitution (PARCA & QSEC)	16 quarters x application amount <i>Of which 4 quarters in 4 years is the incremental amount</i>	
	Obligated funded incremental (PARCA)	16 quarters x application amount <i>Of which 4 quarters in 4 years is the incremental amount</i>	Min 50% notional project cost
Option A	Existing Capacity (PARCA)	4 quarters x application amount	
	Substitution (PARCA & QSEC)	4 quarters x application amount <i>Of which 4 quarters in 4 years is the incremental amount</i>	
	Obligated funded incremental (PARCA)	4 quarters x application amount <i>Of which 4 quarters in 4 years is the incremental amount</i>	Min 50% notional project cost
Option B	Existing Capacity (PARCA)	4 quarters x application amount	
	Substitution (PARCA & QSEC)	[8] quarters x application amount <i>Of which 4 quarters in 4 years is the incremental amount</i>	
	Obligated funded incremental (PARCA)	[8] quarters x application amount <i>Of which 4 quarters in 4 years is the incremental amount</i>	Min 50% project cost
Option C	Existing Capacity (PARCA)	4 quarters x application amount	
	Substitution (PARCA & QSEC)	[8] quarters x application amount <i>Of which [8] quarters in 4 years is incremental amount</i>	
	Obligated funded incremental (PARCA)	[8] quarters x application amount <i>Of which [8] quarters in 4 years is incremental amount</i>	Min 50% project cost

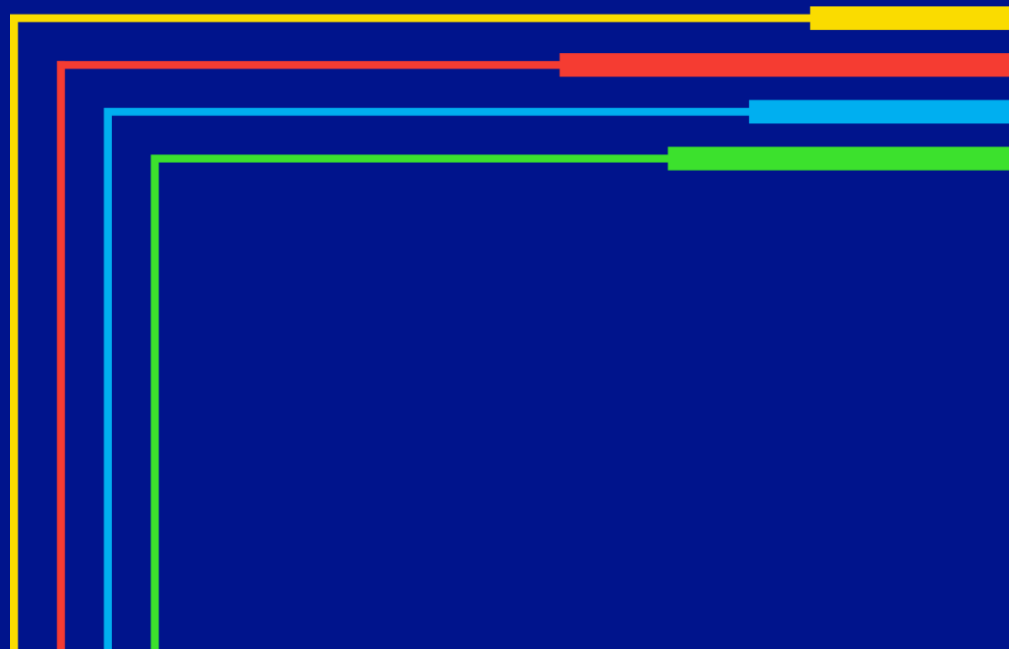
# Entry User Commitment: Update

Significant work is being carried out internally to assess the impacts and risks of the options presented at April's Transmission Workgroup. Once National Grid's preferred option is identified, we will share this with relevant parties.

- Action 0401: Entry User Commitment: Option A: JR to provide more evidence regarding cons. JR to liaise with Ofgem
  - *Have liaised with Ofgem since the last Transmission Workgroup and the output of this is feeding into the piece of work above*
- Action 0402: Entry User Commitment: Option C Scenarios: National Grid (JR) to clarify the relationship of the NPV test and why Modification 0667 was rejected
  - *As part of the internal work described above, a review of what aspects of Code, Methodology Statement would be required to be amended to meet each option.*
  - *Moving the NPV test into UNC was rejected by Ofgem through their decision on UNC Modification 0667. None of the options being considered would mean a change of location of rules.*

# Exit User Commitment

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# Exit User Commitment: Option D development

## Exit Products

	Y-4 to Y-6	Y-1 to Y-3		D-1	D
Firm	Enduring (EAFLEC)	Annual (AFLEC)		Daily (DADNEX)	Daily (WDDNEX)
Off-peak				Daily (DONEX)	

## Entry Products

	Y-2 to Y-16	Y to Y-1	M-1	D-1	D
Firm	Quarterly (QSEC)	Monthly (AMSEC)	Monthly (RMTnTSEC)	Daily (DADSEC)	Daily (WDDSEC)
Interruptible				Daily (DISEC)	

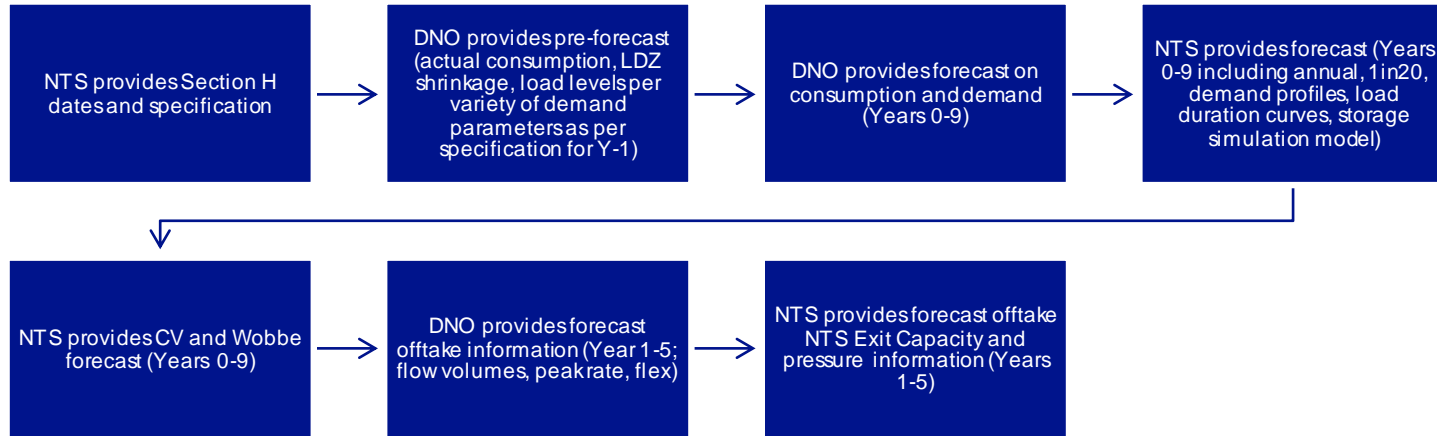
- Remove enduring product
  - Alternative way to provide long-term forecasting information
- Extend annual product to Y-6
  - Is a product out to Y-16 required for exit?
- No reduction window
  - Surrender available in RMTnTSEC
- Introduce quarterly and monthly products
  - Would allow seasonal bookings
- What capacity signal would trigger substitution and obligated incremental capacity to be released?
  - User commitment
  - Substitution timescales

# Exit User Commitment: Section H

*Action 0403: Exit User Commitment: Option C: National Grid (JR) to identify what section H is used for and clarify back to Workgroup in terms of Option C*

The UNC OAD Section H describes the long-term forecast data that is shared between National Grid NTS and the DNOs. Both parties are required to provide the other with their forecast of gas demand, although there is **no obligation** on either party to use the projections provided.

In each planning year the exchange of information between NTS and DNOs starts at the end of November and finishes in July. Parties might meet to discuss the information exchange if needed.



# Exit User Commitment: Section H

National Grid uses the information provided by DNOs as a part of section H for the purpose of long term network planning:

- Assess network capability and development needs(reinforcements, commercial solutions etc)
- Forecast compression running hours
- Publications (e.g. GFOP)
- Forecasting LDZs CV values (FWACV)

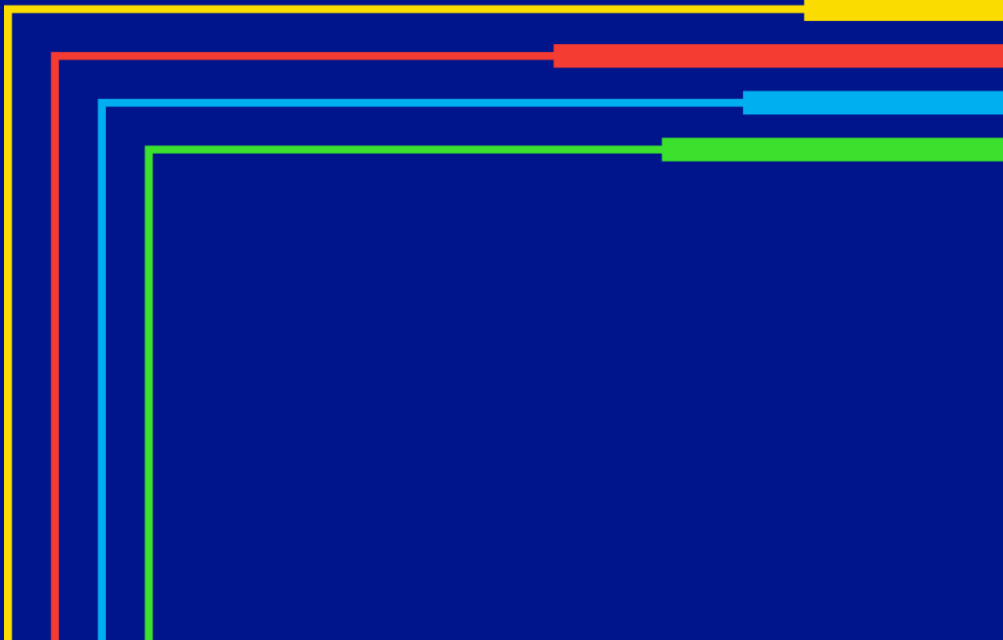
Exit Capacity allocation analysis take the actual DNO capacity bookings into account.

The networks analysis for Exit substitution are also based on the Exit capacity allocation figures, and not section H.



# Substitution

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# Substitution – Issues identified

Industry substitution notice sent out by NTS differs depending on how the capacity has been signalled:

- Capacity requirement signalled through PARCA application triggers the PARCA Window.
  - A notice is sent out to the industry indicating geographical area which will be affected by the PARCA substitution.
- No notice is provided if the capacity requirement is signalled through EAFLEC / QSEC auctions.
  - All parties have the same opportunity to signal capacity requirements
  - There is no further opportunity for User's to book capacity that may be substituted at a donor point to meet the capacity requirement. Users may see capacity being substituted from points where there is still a requirement but no booking.
- DNs believe substitution could cause security of supply issues on their networks and risk not being able to meet 1 in 20 obligations. Ability to forecast demand makes accurate long term bookings difficult.

# Substitution process - timeframes

Request process	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Enduring EAFLEC Y+4-Y+6						EAFLEC invitation	Exit July Window (decrease 1-15th from 1st Oct Y+1, increase 1-31st Y+4-6)		NTS Analysis		Ofgem's approval and Industry notification	Allocation 1st Oct Y+4
Annual AFLEC Y+1-Y+3 (doesn't trigger substitution)						AFLEC invitation	Exit Window (1st - 31st)	Allocation				
Ad-hoc Enduring Application (M+7-Y+6)	NTS Analysis (3months) → Offer acceptance (30 days) → Ofgem's approval and Industry notification → Allocation									Application received (1st Oct - 30th Jun)	NTS Analysis (3months)	
PARCA (Exit)	NTS Analysis (4-6 months) → Ofgem's approval / Industry notification → Allocation									Application received	PARCA Window Opens (20 days)	
	Phase 1 may not be initiated if there is an interaction with the ongoing Annual Exit Capacity Application Window											
PARCA (Entry)						PARCA Window Opens/ Industry notification	Ad-hoc QSEC Window (10 day notice, auction lasts up to 10 days)	Ad-hoc QSEC Window closes after 10 days	NTS Analysis (6 months)**	Ofgem's approval and Industry notification	Allocation	
	Phase 1 cannot be initiated if there is an interaction with the ongoing QSEC Auction process											
Annual QSEC Auction		QSEC Invitaton	QSEC Window	NTS Analysis (max 2 months)		Ofgem's approval and Industry notification				Allocation 1st Oct Y+1		

# Substitution process – Way forward

If industry notification identifying geographical area potentially affected by substitution was to be added to the Enduring application process:

- There is currently no product/process which would enable Users to request additional capacity and for that request to be considered within the same timeframe as Enduring applications.
- The Ad hoc Enduring Application process does not open until the EAFLEC analysis and donor site identification processes finish. The desired capacity (at the donor point) may no longer be available.
- The annual auction would not open until the following year and the product allocates capacity on different timescales

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