

National Grid Gas's Capacity Access Review: Strategy Consultation

20 February 2019

About Energy UK

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all (90%) of both the UK's power generation and energy supply for over 27 million UK homes as well as businesses.

The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

Energy UK welcomes the opportunity to comment on this strategy consultation, we provide comments against the questions below:

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.)

Trade association

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?

7- the statement is clearly ambitious albeit perhaps rather wordy, see below. However, we do not feel this is a big issue

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

The aspiration articulated in the ambition statement is broadly acceptable, but consideration should be given to some of the wording. Is it really the intention for the arrangements to be flexible and dynamic, or rather for the arrangements to be able to meet the needs of system users which may be flexible and dynamic as new technologies, business models and sources of gas emerge? The wording also needs to ensure there is no suggestion of different

arrangements for new entrants and existing users in securing the capacity they need, rather than above that the capacity arrangements are robust to a range of booking strategies.

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.

Bookings / Auctions: 2

Capacity release / PARCA : 8

This needs to be considered by which aspect of the capacity requirements are used to signal requirements. Ofgem's minded to decision for UNC modification 0678A seems to suggest that post charging reform signals should come from the capacity release arrangements in the methodology statements, we take this to mean PARCAs in conjunction with substitution arrangements, rather than the booking / auction arrangements. In the absence of any locational incentives or signals being provided through the charging arrangements, more information on spare capacity and capability of the network may be required for users to understand the best places to connect to the NTS.

Overall the PARCA arrangements are working well and are effective in allowing for reservation of capacity for generation assets in advance of Capacity Mechanism auctions. However, there may be scope for incremental changes to the application and surrender arrangements.

It has been a long-held view by Energy UK that the methodology statements should be incorporated into the UNC. We still maintain this view and consider it should be included as part of this review.

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

Constraint management: 10

We agree with the comment in the consultation document, that such events are infrequent hence it is difficult to assess the effectiveness of the current arrangements. There is currently a wide a range of constraint management tools available to National Grid NTS and it is not always clear to what extent they are utilised, or in which order. There may be a case for rationalising the available tools and increasing transparency about their use.

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

Commercial certainty: 8

The commentary on commercial certainty identifies uncertainties in the charges for capacity due to annual changes to the forecasted contracted capacity (FCC). This is more a feature of the charging regime than the capacity regime and charges are expected to be less volatile if Ofgem's minded to decision in favour of 0678A is implemented.

An aspiration of the charging arrangements is for the FCC to more closely reflect flows. Some aspects of the capacity access review could assist this aim, including; review of substitution arrangements, the range of products available, PARCA arrangements.

Incorporating the FCC in the UNC to provide clear governance of changes and greater transparency of source data for the FCC will help improve stability of charges.

Gas generation requires access to firm capacity in order to be able to meet electricity demand, including obligations under the Capacity Market. In the future it is expected that load factors will fall but gas generation will have an important role in providing flexible generation to the electricity market, it is essential that the gas system and capacity access arrangements can meet these needs to avoid an impact on electricity security of supply.

Q.5d Collect Transporter allowed revenue.

Collecting allowed revenue: 6

Whilst NG's revenue must be collected the capacity arrangements need to be considered in conjunction with the charging arrangements to achieve this. It is not the sole responsibility of the capacity regime to ensure allowed revenue is recovered.

It may be better to wait for the new charging arrangements to bed-in before considering making fundamental changes to the existing the capacity products available.

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

8, but this should apply equally to all parties wishing to secure capacity, otherwise there is a risk of undue discrimination.

Some short-term issues may help to achieve this, including review of substitution lead times and rules, including transparency, exit zones, user commitment, PARCA application fees, flexible quantities and termination fees.

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

Comments are provided against the headings above and we also agree that resolution of some of the issues listed as short term may contribute to the longer-term regime, such that no further change is required. The ambition for the arrangements to be simple or perhaps less complex is a good aim.

Energy UK also notes that whilst there are no specific questions on the principles, we agree that it is not possible to solve all the requirements for the future now, but that any changes must be consistent with the vision for the future. To this end it is important to understand the timescale for this review and how that fits with future GMaP outputs.

We would also suggest that where a status quo, no change scenario is required to assess changes to the capacity regime that implementation of 0678A is assumed along with changes to the baselines proposed in National Grid's business plan.

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?

The short-term issues are simple one-line headings so it is difficult to understand if current issues are fully reflected in these headings.

A couple of examples that may not be included are:

- 1) PARCA process for partial termination
- 2) Entry capacity trading – does this include assignment of obligations?

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