



Jennifer Randall
Jennifer.Randall@NationalGrid.com
National Grid

Grampian House,
Perth,
PH1 3AQ

Jeff.Chandler@sse.com
T: +44 (0)7767 852688

20th February 2020

Dear Jennifer,

SSE Response to Capacity Access Review Strategy Consultation

SSE welcomes the opportunity to comment on this strategy consultation, comments are provided 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.)

Shipper and Storage Operator

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 ambitious.

Given other developments competing for industry resource, priorities will have to be identified as only the highest are likely to be developed. If required code modifications can be raised at any time to improve the relevant objectives.

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

The arrangements need to be able to meet the needs of system users which will be flexible and dynamic as the energy system is decarbonised and electrified. For example, once coal generators close, gas fired generation will provide a major source of electricity when renewable generation is low. Therefore, to avoid blackouts the gas NTS must provide flexibility for gas fired generation to vary to meet demand.

The strategy wording also needs to ensure there is no suggestion of different arrangements for new entrants and existing users in securing the capacity they need. To do otherwise would introduce discrimination. Rather the capacity arrangements need to be provide for 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 : 3

SSE are broadly satisfied with the current capacity regime. If we were not we would have raised a modification. With the introduction of the new charging regime some new products at Exit may need to be created to provide similar flexibility as exists as entry, with monthly or seasonal products.

The PARCA arrangements are functioning well. At this time, we do not foresee any change being required. If change were envisaged it would need to maintain the current flexibility in reservation of capacity as the industry needs to be flexible to the Capacity Market auction results in the electricity market.

Ofgem's minded to decision for UNC modification 0678A states new booking signals should come from the capacity release arrangements in the methodology statements, i.e. PARCAs in conjunction with substitution arrangements, rather than the booking / auction arrangements. We agree with this principle as the new higher capacity charging arrangements may drive shorter term booking behaviour. We believe new investment will be signalled via PARCAs and not by booking of long term capacity.

Additionally, It has been a long-held view by SSE that the methodology statements should be incorporated into the UNC, this should be an objective 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.

We should avoid introducing any change to capacity flexibility that creates constraints and unnecessary cost increases to customers.

We are surprised that NEXA arrangements are not within scope of this review as this is the key contract for provision of flexibility of capacity for customers.

National Grid have historically accepted higher ramp rates than specified in NEXA's when accepting BOA's on the electricity market. Any limitations arising from a review of gas capacity would have implications for the electricity market and security of supply.

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

Commercial certainty: 10

Commercial certainty is not as valuable to customers as firm capacity, firm capacity allows a customer to earn the revenues associated with their business, i.e. generating a spark spread. Commercial certainty may only provide for the costs of capacity but not the lost opportunity of not using the capacity and the gas.

The provision of firm capacity and flexibility rights is key to power generation security. Any gas constraint costs will be passed through to the electricity market and consistent lack of flexibility would require gas investment or risk substituting gas demand for CCGTs to batteries, pumped storage or off-shoring generation, driving down gas demand.

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.

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.

Q.5d Collect Transporter allowed revenue.

Collecting allowed revenue: 3

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.

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

5,

But this should apply equally to all parties, existing an new entrants, wishing to secure capacity, otherwise there is a risk of discrimination.

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 desirable.

SSE have 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.

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?

SSE's thoughts on the short term issue are as follows:

- We support a reduction in overrun charges from 8 *highest price paid to a factor of [2] given the large increase in capacity charges. We believe the factor of [2] should maintain parity with current over-run **rates** and not the **revenue** recovered from historical over-run charges.
- PARCAs and substitution – we believe the PARCA and substitution regime to be working well.
- Trading of capacity, a review might be required so that obligations transfer with trades, as currently obligations reside with the initial capacity holder.

Yours sincerely

Jeff Chandler