

Gas System  
Operator

# NTS update regarding 671

07/03/19

nationalgrid



# Recap of current principles for moving capacity between points.

- **Real exchange rate determined.**
- movement of capacity is compatible with the capability of the NTS.
- **This keeps the inherent NTS (transportation constraint) risk broadly neutral.**
- **Exchange rates calculated in accordance with approved methodologies.**
- Entry and Exit Substitution Methodologies.
- Trade and Transfer Methodology.
- **User commitment is maintained from a financial perspective as well as a capacity perspective.**
- **Exception is Flow Swap which is always 1:1, but consequently the Transporter has the option to reject if the flow swap creates undue risk.**

# Exchange Rate testing

## Zoning

An initial view from NG was that zoning could be a near enough proxy for a 1:1 exchange, however further analysis demonstrates this is not the case.

Point 1	Point 2	Exit Zone	Exchange Rate
AYLE	CHOK	SW3	1.85:1
CHOK	AYLE	SW3	0.56:1
BRAA	MAPP	SO2	>3:1
MAPP	BRAA	SO2	0.1:1
EGRY	ILCH	SW2	2.58:1
ILCH	EGRY	SW2	0.4:1
SEAB	ILCH	SW2	1.4:1
ILCH	SEAB	SW2	0.8:1

# Options to adhere closer to current principles

## possible variations on zonal arrangement

- smaller zones.
- **zonal (ex-ante) exchange rate is > 1:1**
- methodology required
- **limits with regards to quantity that can be exchanged**
- Could do banding. Band A: 15GWh/d at 1:1, band B: 7.9 GWh/d at 0.9, band C: 10 GWh/d at 0.8.

## non-zonal

- **use real exchange rate**
- methodology required
- financial commitment maintained

**Financial commitment query: should User Commitment Amount £ (UCA) be rebased if moving to higher priced point, rather than transferring in the £UCA from the lower priced point?**

# Action – NTS Exit Zones

- **LDZs are split up into Exit Zones;**
- **The points within a zone are identified in the Exit Capacity Release Methodology Statement;**
- **New points are assigned whichever geographic zone they fall within.**
- some discretion/judgement may be required e.g. at boundaries
- **All exit points are assigned an exit zone prior to them going live.**

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