

30<sup>th</sup> May 2012

Dear Colleagues

## **RIIO-T1 proposals and aligning the connections and capacity processes**

Following the Transmission Workgroup meeting on 1<sup>st</sup> May 2012 discussing the alignment of the capacity and connections process, I am writing to provide you with an update on recent developments.

Through our Talking Networks events held in 2011, we highlighted that the impact of the Planning Act (2008) on timescales for delivering network reinforcements to support incremental capacity meant that the current obligated lead times applicable to incremental entry and exit capacity are not achievable where an application for a Development Consent Order would be required.

Our March 2012 RIIO-T1 plan included a number of proposals that would address this issue whilst facilitating the overarching objective of delivering connections and capacity together, in the most efficient lead time and in a transparent manner. We proposed that the introduction of a mandatory bi-lateral contract for parties wishing to signal incremental capacity would enable customer and NGG timelines to be aligned, with connections and capacity being delivered together. This process would provide more certainty to project developers, with transparency of all the process steps and deliverables required from both parties and set out a timeline from initial contact through to capacity release. This would be accompanied by a phased user commitment that would ramp up in line with progression through the process culminating in full user commitment through a formal capacity signal.

Stakeholders have previously indicated to us that they would want the release of incremental capacity to be restricted to the party that has funded the necessary preparatory work through the bi-lateral contract. This requires a change to the UNC, and so we have been developing our proposals as discussed at the 1<sup>st</sup> May meeting, along with some of the accompanying incentives that would encourage efficient delivery.

### UNC modification development

As agreed, following feedback received at the 1<sup>st</sup> May meeting, we are currently developing a draft modification proposal that continues the process of further industry discussion and understanding, along with some supplementary information such as example timelines and information on the interactions between our proposals and Modification Proposal 373. As requested, we will be presenting this information to a Transmission Workgroup Issues meeting on the 27<sup>th</sup> of June.

Whilst we have received support from some stakeholders, we recognise that others have concerns about this proposal and that much work is required to take this forward. Some of these concerns are around the timeline for implementing a UNC modification and we agree that it is unlikely that a modification will be implemented in time for the start of the RIIO-T1 price control period in April 2013.

However, we still need to develop a process that meets the requirements of the Planning Act and which will allow us to respond effectively to customer requests for incremental capacity.

In light of this, since 1<sup>st</sup> May we have been considering alternative options that could be employed as an interim measure to achieve the same aims of aligning customer and NGG timelines, recognising the implications of the Planning Act, without the need for a UNC modification. We believe this is a sensible approach to take as it removes the reliance on the UNC modification to enact a workable solution for the impending price control period, whilst allowing that modification to be carefully considered by industry through the appropriate governance.

We have identified an interim solution which we believe could achieve the same aims as our proposed UNC modification by April 2013, with the exception that it does not ensure that incremental capacity is only available to the signatory of the bi-lateral agreements. This interim solution could endure if stakeholders do not require incremental release to be restricted to the signatory of a bi-lateral agreement, however if this is not acceptable then the UNC modification can continue to be developed, in parallel, to industry timescales.

The detail of our proposal for the interim solution is still being developed and will be submitted to Ofgem along with our External SO Incentives Submission. This submission will not be made until 31<sup>st</sup> May but we would welcome the opportunity to present this information as a high level introduction, and to take any immediate questions at the regular Transmission Workgroup on 7<sup>th</sup> June, if the Workgroup is happy to accept this as a late agenda item. We will also present this information at a more comprehensive level to the aforementioned special Transmission Workgroup on the 27<sup>th</sup> of June.

Note this submission will also include our proposals in relation to the three incentive areas discussed on the 1<sup>st</sup> May:

- Connection offers;
- Pre-capacity application processes; and
- Post-capacity application timelines.

#### Next Steps

As noted above, we would like to attend the 7<sup>th</sup> June Transmission Workgroup in order to present a high level introduction to our transitional proposals to move to a process that allows both customer and NGG connections as well as capacity projects to be delivered together, in accordance with the requirements of the Planning Act. This would depend on the Workgroup's willingness to accept late material following the submission of our External SO Incentives Submission to Ofgem on 31<sup>st</sup> May. This letter and the material we propose to present at the 7<sup>th</sup> June Transmission Workgroup will both be published on the JO website and accessed through the following link:

[www.gasgovernance.co.uk/tx/070612](http://www.gasgovernance.co.uk/tx/070612)

We will also be publishing the capacity related section of the External SO Incentives Submission in the week commencing 4<sup>th</sup> June, along with some high level principle slides highlighting our proposals. We will ask the Joint Office to issue a notice providing a link to this material once it is published.

The supplementary detail requested on our SO submission, and draft modification proposal, are being developed and will be presented to the Transmission Workgroup on the 27<sup>th</sup> of June, as requested.

In the meantime we would welcome further feedback through one to one discussions with stakeholders and/or through industry forums to discuss our proposals. We would also welcome any suggestions for alternative UNC modification proposals that industry may have that could be considered for development alongside, or instead of, our draft proposal.

To arrange a meeting, discuss any concerns, or share ideas for alternative UNC modifications please contact either myself or Mike Wassell using the contact details below.

Yours sincerely

Steve Fisher  
Gas Charging and Access Development Manager

Steve Fisher  
Gas Charging and Access Development Manager  
[steve.r.fisher@nationalgrid.com](mailto:steve.r.fisher@nationalgrid.com)  
01926 653428

Mike Wassell  
Senior Gas Access Analyst  
[mike.j.wassell@nationalgrid.com](mailto:mike.j.wassell@nationalgrid.com)  
01926 654167