

## Transmission Issues Workgroup – 27<sup>th</sup> June 2012

### Capacity/Connections Alignment

#### National Grid NTS Response to Specific Questions, Issues & Feedback

##### Introduction:

During the Transmission Issues Workgroup (TIW) held on 27<sup>th</sup> June 2012, National Grid NTS undertook an exercise with attendees to understand the implications of the Planning Act 2008 and the introduction of UNC Mod0373 on the existing commercial (UNC) capacity regime. This session also explored how the capacity and connection (cap/con) processes could be aligned both for the benefit of our customers and National Grid NTS

National Grid NTS took the opportunity to develop a number of timeline scenarios and these were reviewed and tested with attendees during the TIW against the timelines pertaining to the Planning Act processes, Modification 0373 NTS connection offer and capacity commercial and regulatory framework timelines.

At the TIW, National Grid NTS gave an undertaking that it would consider and respond to any questions, issues or feedback that were raised during the scenario testing and as such, we are now providing this response.

Some of the questions/issues/feedback received during the TIW have been captured in the corresponding minutes that have been published by the Joint Office. Additionally several of the points we captured have since been addressed at the subsequent Transmission Workgroup held on 5<sup>th</sup> July. The minutes from these workgroups can be found via the following links:

<http://www.gasgovernance.co.uk/tx/270612> - TIW (27<sup>th</sup> of June 2012)

<http://www.gasgovernance.co.uk/tx/050712> - Transmission Workgroup (5<sup>th</sup> of July 2012)

For completeness, we have incorporated all the questions/issues/feedback (post-its) that were captured during the aforementioned exercise into this response.

Following the comments received during the TIW feedback, we will also be updating the timeline scenarios and these will be published in due course.

We would welcome your views and comments to this response and we will review and provide our feedback at subsequent Transmission Workgroups. Any further views/comments can be sent to:

[steve.r.fisher@nationalgrid.com](mailto:steve.r.fisher@nationalgrid.com) or [mike.i.wassell@nationalgrid.com](mailto:mike.i.wassell@nationalgrid.com)

##### Questions:

**Question 1:** *“Is National Grid Gas considering any influencing on potential revisions to the implementation of the Planning Act 2008 with DECC or other HM Government bodies?”*

##### **Response:**

National Grid NTS believes that the Planning Act 2008 is the correct approach for gas (and electricity) infrastructure projects. However, we are looking at the new Planning Inspectorate policy and processes to

see how and where efficiencies might be made and thus improve the processes for both gas and electricity infrastructure projects.

National Grid has recently submitted its formal response to the *“Planning Act 2008: Consultation on proposed changes to the suite of guidance documents for the major infrastructure planning regime consultation”* that has been initiated by the Department for Communities and Local Government (DCLG):

<http://www.communities.gov.uk/publications/planningandbuilding/suiteguidanceconsultation>

We have sought clarification on several aspects of the guidance documents and raised a number of questions and suggested amendments. The consultation closed on the 6<sup>th</sup> July 2012 and we understand that responses will be published via the above link in due course.

**Question 2:** *“Should National Grid (industry) consider changing the lead times for capacity release?”*

**Response:**

In conjunction with the industry, National Grid NTS has considered the option of changing the lead times for capacity release and we concur with industry stakeholders that extending the capacity lead times (e.g. to 72 months) would not be beneficial.

We have proposed in our recent RIIO-T1 business plan submissions that we would look to reduce the capacity lead time to 24 months (from the October following the signal to cover build time), dependent on the framework being agreed to align the cap/con processes.

**Question 3:** *“Is capacity reservation the only signal?”*

**Response:**

This was raised during the discussion around the existing capacity regime whereby a User will signal its capacity requirement in the relevant auction and how might this interact with the Planning and Advanced Reservation of Capacity Agreement (PARCA) option. National Grid NTS would like to emphasise that whilst the PARCA option could provide a customer with the ability to reserve and ultimately commit to its capacity requirement solely through the PARCA, as the development of the PARCA business rules and any associated UNC modification proposal will be taken forward in conjunction with the industry over the coming months through the Transmission Workgroup, this may change.

**Question 4:** *“Do we need unsold to be bought/reserved prior to Planning submission?”*

**Response:**

In order for the Planning Inspectorate to be confident that our submission to them is fully justified we believe that they would expect National Grid NTS to take a view on available unsold/substitution as this may impact the level of physical investment needed.

**Question 5:** *“Would the Planning Inspectorate want to see if National Grid investment in the NTS is deeper (remote) in the network from the customer facility and/or NTS connection e.g. 100km away?”*

**Response:**

National Grid will require further time to respond to this question given the Planning Inspectorate recently updated the guidelines which provide guidance on associated developments.

**Question 6:** *“Is there a requirement to extend the scope of Mod0420 “New Connections Interruptible Loads” to include the NTS?”*

**Response:**

We believe there is merit in assessing Modification 420 alongside the anticipated industry discussion and potential development of a long-term non-firm product.

**Question 7:** *“How does the long-term-non-firm product interact with Plan B?”*

**Response:**

Plan B is an interim option that enables our RIIO-T1 proposals to be implemented from 1<sup>st</sup> April 2013. A long-term non-firm product is an option that could be developed (irrespective of whether Plan B or an enduring cap/con solution in place) as a stop-gap measure for projects that already have their planning consents (if needed) or are at a relatively advanced stage of project development, or potentially those customers who wish to access NTS capacity ahead of National Grid NTS being able to deliver a firm product, hence this could become an enduring cap/con product.

**Issues:**

**Issue 1:** *“Is there potential to align the Electricity planning/processes with the Gas equivalent for example, CCGT Projects?”*

**Response:**

We believe that there are benefits in assessing the implications of improved co-ordination of the largely disparate electricity and gas connection processes. For example, we agree that improved alignment would be key in a scenario where a new CCGT project requires three applications under the Planning Act (2008) to be submitted to the Planning Inspectorate; the customer’s facility, National Grid Gas (physical reinforcement) and National Grid Electricity Transmission (substation/reinforcement).

However, National Grid is mindful of its obligations that prevent the transfer of certain information between the two licenced entities under both the Gas Transporter in respect of the NTS licence and Electricity Transmission licence. We also need to be mindful of our customers’ expectations to ensure that the regulatory and commercial safeguards are retained.

**Issue 2:** *“Industry participants would like to undertake a review of the substitution arrangements.”*

**Response:**

National Grid NTS would like to understand more from the industry the drivers and the extent of such a review.

National Grid NTS believe changes may be needed to certain aspects of the substitution arrangements as part of the overall cap/con solution and our initial thoughts on some potential options can be found via the following link:

[http://www.gasgovernance.co.uk/sites/default/files/Substitution%2027\\_06\\_12.ppt](http://www.gasgovernance.co.uk/sites/default/files/Substitution%2027_06_12.ppt)

We do recognise that the suitability of these options may be dependant on the enduring cap/con solution; however we would welcome initial thoughts and preferences from the industry.

**Issue 3:** *“The entry terminal (facility) regime and the NTS entry capacity regime are misaligned. For example, where the NTS has unsold capacity, a user may bid however, the terminal facility has sold-out – this effectively sterilises the unsold NTS capacity. Issue becomes bigger the longer the lead times.”*

**Response**

National Grid NTS understand this issue but do not believe this is directly related to the discussions being held relating to cap/con.

**Issue 4:** *“Addressing capacity/commodity charging volatility is a key consideration.”*

**Response:**

We understand industry concerns in this area and these will be explored in more detail with customers at the NTS Charging and Methodology Forum (NTS CMF) over the coming months. We are also awaiting the results of Ofgem’s recent consultation on the volatility of charges and for the publication of their views on this subject.

**Issue 5:** *“Greater consistency is required between entry and exit price setting.”*

**Response:**

We consider that the different entry and exit NTS capacity regimes will lead to different price tariff setting. At this stage, we do not believe it is necessary to seek consistency through the options (relating to cap/con) that are developed by the industry. However, it is important that charging impacts are considered throughout the development process of the enduring cap/con solution.

**Issue 6:** *“The Industry should consider raising a mod for a PCA/PARCA ‘standard of service’ into the solution to pre-empt protracted [legal] discussions between the customer and National Grid over months/years.”*

**Response:**

We would support industry consideration of an appropriate ‘standard of service’ however, we believe that this could be achieved through the industry development and agreement of a suitable generic PCA/PARCA and the agreed contractual agreement (terms).

**Feedback:**

**Feedback 1:** *“Case 1 solution – need to make clear that this could apply to “transitional projects” in Case 2”.*

**Response:**

We agree, and this will be incorporated into the updated timelines.

**Feedback 2:** *“The Industry needs to be clear about what is commercial and what is physical [system] capacity/capability.”*

**Response:**

Commercial capacity provides Users with the commercial rights to flow up to commercial capacity levels and these commercial capacity levels are used to inform the physical investment required (taking into account the existing physical capability in the system). Physical capability relates to the flows that the system can accommodate on any given day and is dependent on the prevailing supply/demand patterns experienced.

**Feedback 3:** *“Industry to consider varying the solution option(s) for Interconnectors, Storage and CSEPs.”*

**Response:**

We agree that this should be considered, and we believe that the industry and National Grid NTS should work together to develop appropriate options with an aim of determining the best solution(s) acceptable to all.

**Feedback 4:** *“Consider further provisions for anti-hoarding of Entry Capacity.”*

**Response:**

We are happy to consider this with the industry.

**Feedback 5:** *“Case 2 of the timeline relates to ‘transitional’ rights.”*

**Response:**

We agree, and this will be incorporated into the updated timelines.

**Feedback 6:** *“There is a potential impact that it might not be the “new incremental” that is bought back; it might be another site downstream i.e. at the point on the NTS where a constraint manifests itself.”*

**Response:**

Agreed; “new incremental” may affect other Users of the system. Therefore the management of any constraints on the system could result in other parties capacity rights being bought back. We could explore the impact and possible options related to this as part of the development of a long-term non-firm product with the industry through the Transmission Workgroups.

**Feedback 7:** *“Exit and Entry capacity needs to be linked (bundled) on Interconnectors”*

**Feedback 8:** *“Bundled capacity means possibly not for Interconnectors [European regulations]”*

**Response:**

We understand the feedback and anticipate that this would be developed within the UK once the EU codes for Capacity Allocation Mechanisms (CAM) and Congestion Management Procedures (CMP) have been agreed and implemented. We believe that European developments should be continually monitored and considered in the development of any enduring cap/con solution.

**Feedback 9:** *“Industry would like to see the details behind the PARCA option.”*

**Response:**

We will work with the Transmission Workgroup to develop the business rules for the PARCA option and, the associated modification proposal that would be required to support its development and potential implementation.

**Feedback 10:** *“If capacity is expensive, a customer will not want to commit through a formal capacity signal until its formal Planning consent has been received.”*

**Response:**

We understand this is the position from bilateral discussions with customers. However, it is also true to say that if capacity has a relatively low value, then Users may purchase capacity relatively early in the process to ensure that the capacity is available if their project proceeds.

**Feedback 11:** *“Case 3 & 4; the customer would commence its ‘preliminary’ planning application prior (“weeks”) to a Connection Offer being made”*

**Feedback 12:** *“Customer planning submission not until after Connection Offer is made / accepted but planning pre-work could be prior to Offer being accepted”*

**Feedback 13:** *“A developer may start engagement with the local community earlier than National Grid – having had initial discussions with National Grid”*

**Feedback 14:** *“Planning would be prior to the Connection Offer being accepted. The customer site work would start prior to National Grid.”*

**Response:**

We note these points and believe that early engagement between the customer and National Grid to discuss any potential NTS connection project(s) would be beneficial to both parties. Early engagement becomes paramount with the Planning Act 2008 processes, to ensure the successful delivery of the customer’s NTS connection project and, any associated requirement for physical NTS reinforcement, which are both necessary to ensure that the customers project is successful.

We will also incorporate this feedback into the updated timelines.

**Feedback 15:** *“Customers would need an indication of ‘likelihood of interruption’ of a long-term-non-firm product.”*

**Response:**

National Grid NTS anticipates that it would be able to give an indication of this through the PARCA/PCA works.