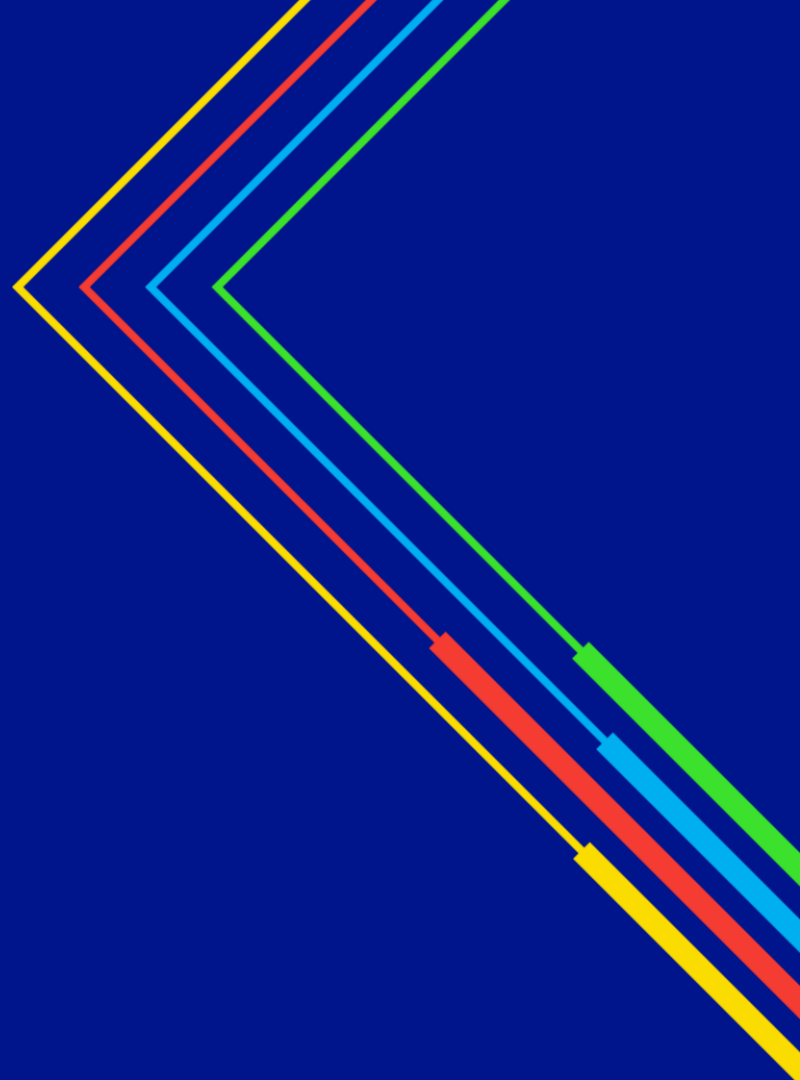


0705R NTS Capacity Access Review

Transmission WG

3rd June 2021

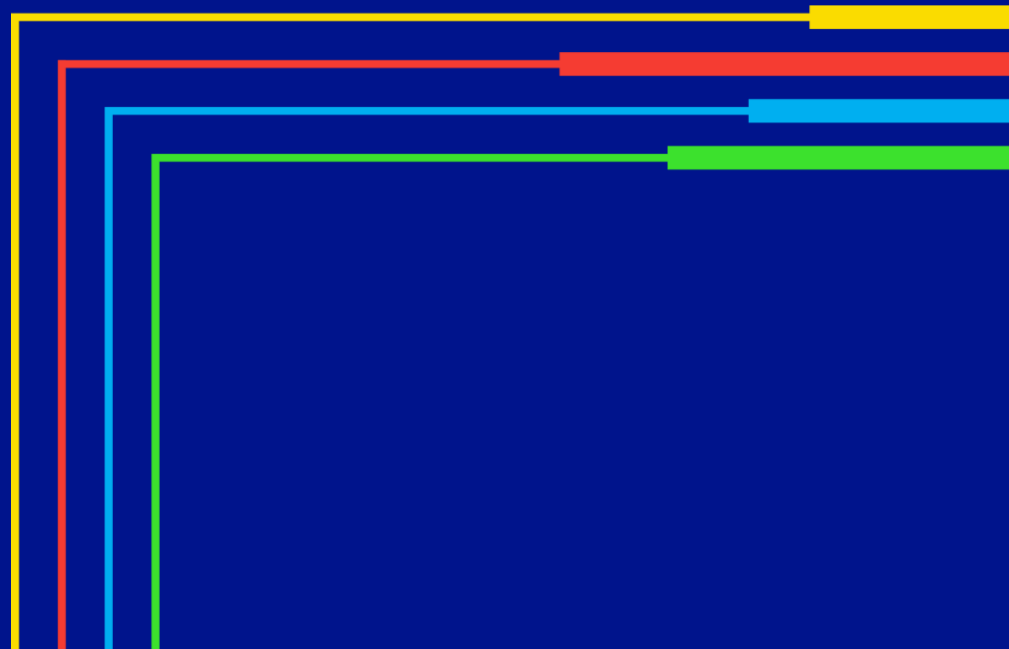
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01

Review of exit regime

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User Commitment for capacity within baseline

Historically when carrying out substitution analysis to identify a donor point, NG would rely on financially backed information (capacity bookings) to establish capacity available to fulfil the substitution request (as per the Licence).

- To avoid substitution, GDN's would book enduring capacity which is currently subject to 4 years User Commitment and will reduce to 2 years User Commitment for capacity within baseline under the current amendments to ExCR methodology statement.

The introduction of the Exit Capacity Planning Guidance and subsequent discussions with Ofgem, means that it is now deemed economic and efficient to take into account not just signals with financial backing but also information through provided through ECPG process.

- Amendment to Exit Substitution Methodology Statement
 - *“NTS Exit Capacity required as a result of demand forecasts provided via Exit Capacity Planning processes as per Standard Special Condition A57 and the Exit Capacity Planning Guidance, will not be Substitutable”*

This means there is no longer the “incentive” for GDNs to book capacity through the Enduring application process for risk of that capacity otherwise being used to fulfill a substitution request. This could mean GDN's move towards booking annual rather than enduring capacity

However, for other shippers, enduring capacity would still be required to be booked to safeguard against that capacity being used to fulfill a substitution request

Ofgem consultation: https://www.ofgem.gov.uk/system/files/docs/2021/05/informal_consultation_on_exit_user_commitment.pdf

User Commitment

User Commitment duration	Reduction made	Reduction applicable
Zero	Following year	For the first year the booking in made from
1 year		After the booking has been applicable for a year
2 years		After the booking has been applicable for two years

Example:

User Commitment duration	Year make booking	Capacity effective from	Year make reduction	Reduction effective from
Zero	July 2020	October 2023	July 2021	October 2023
1 year				October 2024
2 years				October 2025

User Commitment for incremental capacity

In progress:

- What is the purpose of User Commitment for incremental capacity (both substitution and FIOC)?
- What was the justification for current incremental User Commitment rules?
 - How has that evolved?
- What are the benefits and risks associated with reducing User Commitment for incremental capacity?
- Does the Funded Incremental Obligated Capacity (FIOC) re-opener change any requirement for User Commitment?

Flow swap v the ‘new process name’

	Current LTFS arrangements	“New process”
Timing of request	At any time	Part of ECPG submission
Reason for request	Emergency or urgent maintenance	Change in demand forecast
Duration	Few weeks to few months. Can be terminated or extended as required.	Ongoing from the date it is applicable to expiry of capacity holding.
Type of capacity to be swapped	Any purchased	Annual/enduring
Volume	Not specified but must be ‘like for like’ so the overall LDZ demand remains unchanged.	‘Like for like’ unless other than 1:1 exchange rate is applicable
Process	Can be requested through GNCC	Part of ECPG/Section H submission
Approval (impact analysis)	Conducted primarily within GNCC with a focus on meeting pressure obligations. The decision normally made within 24h.	Network Capability will need to conduct the analysis as exchange rates will need to be calculated.
Users	GDNs and NTS only	GDNs [and Direct Connects?]
System impact	Manual process	Systematised solution

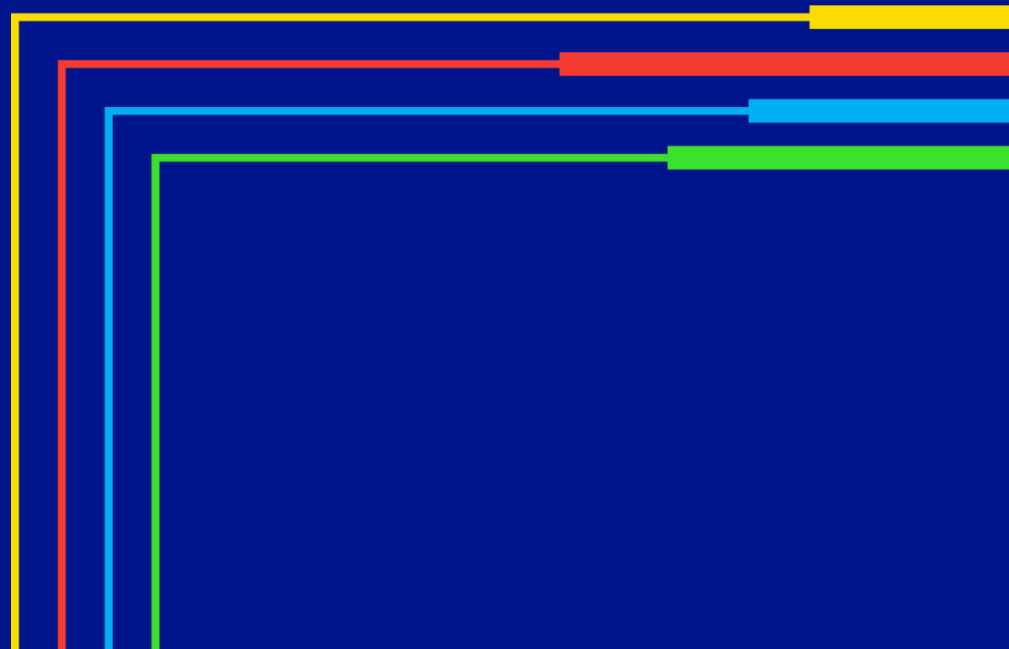
User Commitment applicable

Point A	Point B	User Commitment
Baseline	Baseline	[2] year User Commitment would move with the capacity (continuation)
Baseline	Incremental	Capacity subject to [4] years User Commitment once moved to point B
Incremental	Baseline	Capacity would maintain the [4] year User Commitment once moved to point B
Incremental	Incremental	[4] year User Commitment would move with the capacity (continuation)
None 1:1 exchange rate*		User commitment as above Would either mean less capacity at point B or more capacity required to be moved from point A to achieve capacity levels required at point B

02

Review of Capacity Products

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Capacity product developments

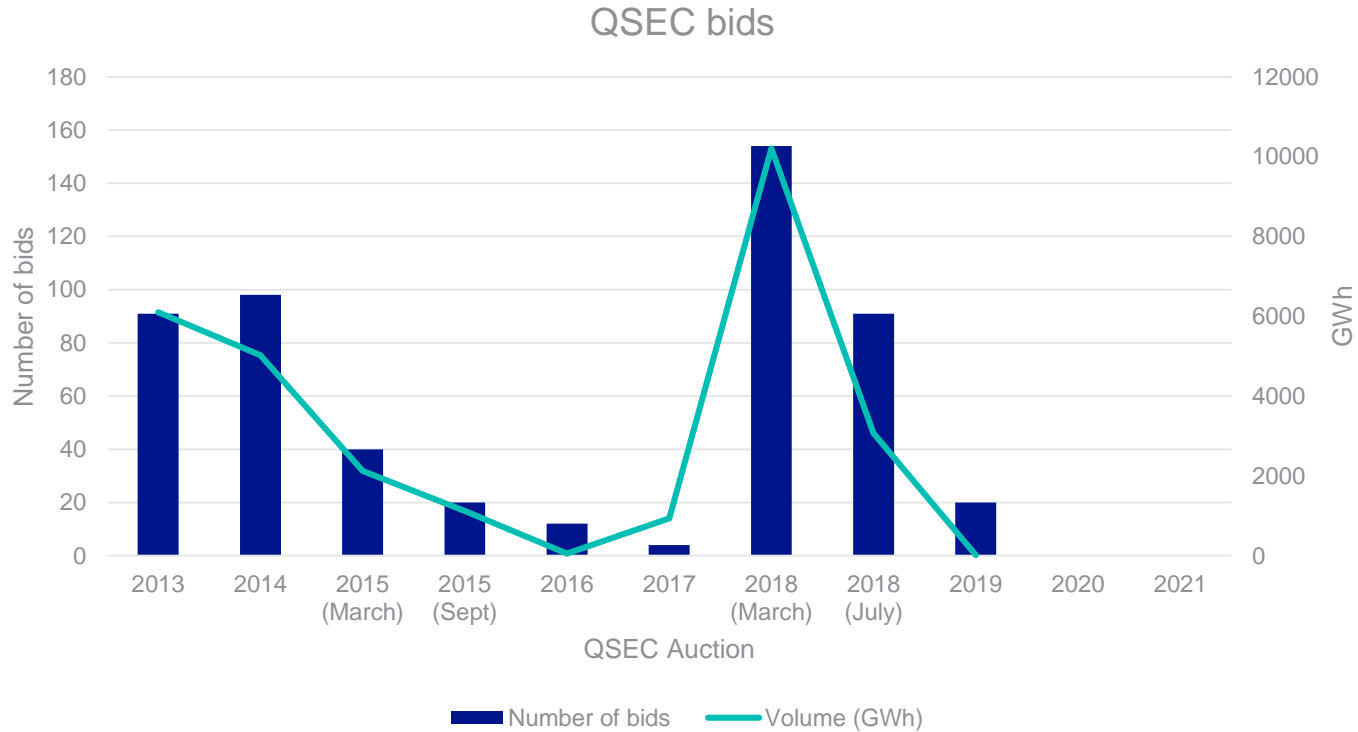
- Possible removal of QSEC product
- Possible reduction in Entry monthly product(s)
- Introduction of a “medium” term Exit product

Entry Products

	Y-2 to Y-16	Y to Y-1	M-1	W-1	D-1	D
Firm	Quarterly (QSEC)	Monthly (AMSEC)	Monthly (RMTnTSEC)	Weekly (WSEC)	Daily (DADSEC)	Daily (WDDSEC)
Interruptible					Daily (DISEC)	

QSEC	AMSEC	RMTnTSEC
<p>Auctions held annually in March, open for 10 working days and allocated in May</p> <p>Capacity made available in Quarterly strips from Oct Y+2 to Sept Y+16. Capacity bid for every day throughout the quarter.</p> <p>Used to trigger incremental capacity</p> <p>Ad-hoc auction can be triggered at any time by a PARCA (TPD Section B 2.1.14)</p>	<p>Auctions held annually in February</p> <p>Capacity made available in monthly strips from April Y+1 to September Y+2</p> <p>Auction open for 4 days in 2 bidding rounds, separated by 2 days. Allocation after each day</p>	<p>Auctions held monthly at month-ahead stage</p> <p>Capacity made available in monthly strips</p> <p>Surrender of capacity available, only allocated if matching shipper demand. Allocate lowest price first (if surrender below reserve price, allocate before unsold)</p>

QSEC Bids



MSEC Bids



RMTnTSEC Bids



Options

1. Remove the standard QSEC product; maintain ad-hoc QSEC
 - Substitution triggered through PARCA rather than through QSEC - since 2016 there has only been one substitution triggered through QSEC
2. Remove the standard QSEC product; maintain ad-hoc QSEC; extend AMSEC to [Y+7]
 - Different capacity durations purchased in same period
3. Remove the standard and ad-hoc QSEC; ad-hoc AMSEC process
4. Remove the standard and ad-hoc QSEC; extend AMSEC to [Y+7]; ad-hoc AMSEC process
5. Remove the standard and ad-hoc QSEC products; remove AMSEC and increase use of RMTnTSEC

Exit Products

	Y-4 to Y-6	Y-1 to Y-3	D-1	D
Firm	Enduring (EAFLEC)	Annual (AFLEC)	Daily (DADNEX)	Daily (WDDNEX)
Off-peak			Daily (DONEX)	

Is a “medium term” exit capacity product required? (i.e. quarterly, monthly or weekly)

Benefits:

- Allow for better profiling of capacity throughout the gas year, e.g. seasonal particularly useful for storage sites

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