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13th February 2019

WWU response to National Grid Preliminary Consultation on Capacity Methodologies and Statements

Dear Chris,

Thank you for the opportunity to respond to this biennial consultation on the five exit and entry related methodology statements that National Grid is required to produce by its license. We do not have specific comments on the detail of the individual statements but do have some more general comments that relate to one or more statements.

We recognise many of the issues raised by Ofgem in their RIIO-2 Sector Methodology Annex (Gas Transmission) published on 18th December 2018 such as whether it is reasonable to have User Commitment when no incremental investment is required to provide the capacity requested. This will impact both the Exit and Entry Capacity Release Methodology Statements; WWU's interest is in exit capacity but we support a consistent approach to exit and entry compliant with the provisions of the Gas Act, NTS License and the Uniform Network Code (UNC).

In regard to entry capacity, we note that the Net Present Value test in the Entry Capacity Release Methodology Statement, which determines whether new National Transmission System entry capacity is constructed, permits construction of this capacity if the party requesting the connection signals that it will use 50% of the capacity requested. This implies that the other 50% is funded by other users of entry capacity. This arrangement for transmission entry capacity contrasts significantly with the arrangements in distribution despite the Gas Act not distinguishing between transmission and distribution. It seems that over time the interpretation has differed between transmission and distribution, albeit that the methodology statements and 4B statements have all been approved by Ofgem. The gas networks, both transmission and distribution, need to adapt to meet the challenges of decarbonisation. We think that the principles underlying reinforcement policy in terms of how much is funded by the applicant and how much by the generality of customers should be consistent across transmission and distribution. This would mean that a producer of a new source of gas would see a consistent approach regardless of whether they were connecting to transmission or distribution networks.

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In your covering letter you mention WWU's UNC modification proposal 0671 "New Capacity Exchange process at NTS exit points for capacity below baseline" and that changes to the methodology statements may be required to reflect changes to the Uniform Network Code resulting from this and other modifications. WWU raised modification proposal 0671 only because the issue we raised in our response to the previous consultation on these methodology statements, in 2017, was not addressed by National Grid.

From our work on UNC modification proposal 0671 it is clear that there is a lot of detail in the methodology statements that has major impacts on Parties acquiring capacity, an example of this is the User Commitment obligation. These methodology statements are produced as a result of license obligations and therefore we accept that there is an argument that the license holder needs to have the ability to amend them as required. Nevertheless we think that there is a strong case for the key concepts to be under UNC governance because the purchase of capacity is fundamental to the commercial arrangements in the industry.

The methodology statements acknowledge that where they are in conflict with the UNC then the UNC prevails meaning they are already indirectly subject to UNC influence. In addition we think that having the key principles under UNC governance will mean that Parties can access all the information relevant to acquiring capacity in one place. Currently they have to read UNC Transportation Principal Document section B on the Joint Office web site and also the relevant methodology statements on the National Grid web site. We think that the approach we propose would be in the spirit of the recently launched BEIS Energy Codes Review.

A similar issue exists in respect of the NTS charging methodology; under the current UNC modification proposal 0678 the arrangements for determining the capacity for which Users will be charged will be in a methodology statement rather than being in the UNC itself. Given this tension between what is in the UNC and what is in methodology statements we suggest that National Grid should consider this question of the balance of governance in the near future. If this does not happen then UNC modifications may be made over time which result in inconsistent approaches between the different processes which we think would be undesirable.

Yours sincerely,



Steve Edwards
Director of Regulation
Wales & West Utilities

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