



Making a positive difference
for energy consumers

Peter Crook
Gas Network Capability Manager
Gas System Operations
National Gas Transmission
National Grid House
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA

Email: Gas.Systems@ofgem.gov.uk

Date: 4 November 2024

Dear Peter,

Decision to approve National Gas Transmission's proposal for Exit Capacity Substitution and Baseline Revision at Progress Power Station

Thank you for the Formal Notice dated 8 October 2024 outlining NGT's proposal to substitute unsold NTS Non-incremental Obligated Exit Capacity from Barking (Horndon) DC Exit Point to Progress Power Station (PS) Exit Point from 1 January 2025, in accordance with Special Condition 9.13 of NGT's Gas Transporter Licence.

We¹ have decided to approve this substitution proposal. The reasons for our decision are explained below.

Background

Exit Capacity Substitution is the process by which unsold baseline NTS Exit Capacity from one or more NTS points ("Donor Points") is moved to meet the demand for additional capacity at another NTS point (the "Recipient Point").² The substitution of capacity between NTS points minimises the need for network investment to deliver additional capacity, and helps reduce transportation costs for system users.

Special Condition 9.13 sets out that, amongst other things, we must be notified if you intend to substitute unsold capacity to meet the demand for additional capacity at an NTS exit point. We have a 28-day period from the day the Notice is received; our options are to approve the proposal, reject the proposal, or request more information.

The substitution proposal

Your letter sets out NGT's proposal to substitute unsold NTS exit baseline capacity to Progress PS Exit Point from 1 January 2025. This follows a Planning and Advanced Reservation of Capacity Agreement (PARCA) application made on 15 April 2021 containing a request for an additional 25,800,000 kWh/d of Firm Enduring Annual NTS

¹ The terms "we" and "our" are used to refer to the Gas and Electricity Markets Authority.

² The process is explained in the 'Exit Capacity Substitution and Revision Methodology Statement, which can be found on NGT's website: [Exit Capacity Substitution Approved v10.0.pdf](#).

(Flat) Capacity at Progress PS Exit Point from 1 January 2025³, which is in excess of prevailing baseline NTS Capacity at that exit point.

After undertaking network analysis and consulting relevant stakeholders by way of informal notice, you have concluded that the request for additional Baseline NTS Capacity can be best met by substituting capacity from the Barking (Horndon) Exit Point from 1 January 2025. You propose to substitute the volumes of capacity as set out in the table below:

Table 1: Substitution proposals

Recipient Point	Donor Point	Capacity donated (kWh/d)	Capacity received (kWh/d)	Exchange Rate⁴
Progress PS	Barking (Horndon)	19,000,000	25,800,000	0.7364:1

The substitution proposals will be effective from 1 January 2025 and will change the capacity baselines at the Donor and Recipient points as set out in Table 2.

Table 2: Baselines at Donor and Recipient Points

NTS Point	Type	Recipient / Donor	Current Baseline (at 1st January 2025) (kWh/d)	Proposed Baseline (kWh/d)	Remaining unsold capacity (at 1 January 2025) (kWh/d)
Progress PS	DC	Recipient	0	25,800,000	0
Barking (Horndon)	DC	Donor	56,090,000	34,690,000	34,690,000

Our decision

We have considered your Notices – the Informal Notice and Appendix 1 of 17 December 2021, the Capacity Reservation Notice of 8 February 2022, the Update Notice of 29 August 2024, and the Formal Notice of 8 October 2024. We note in particular that Appendix 1 of your Informal Notice provides necessary information demonstrating that NGT has determined its proposal for capacity substitution in accordance with the relevant methodology. When these documents are read together, we are satisfied that the proposed Exit Capacity Substitution is consistent with your Exit Capacity Substitution and Revision Methodology Statement, which aims to promote the economic and efficient development of the NTS by seeking to minimise the amount of infrastructure investment to meet incremental demand for Exit Capacity.

As a result, we have decided to approve your proposal to substitute the capacity as set out in your Exit Capacity Substitution and Baseline Revision Notice of 8 October 2024.

Yours sincerely,

William Duff
Head of Gas Systems and Operations

³ As detailed in [NGT's informal notice of 29 August 2024](#), the Registration Date was updated from 01 September 2024 to 01 January 2025, as requested by the PARCA Reservation Party.

⁴ The exchange rate is the ratio at which capacity is substituted between Recipient and Donor Points. Capacity cannot be substituted if the exchange rate is greater than 3:1.