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for energy consumers

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Dear Chris,

Decision to grant National Grid Gas ('NGG') a consent to submit the modifications that you propose to the Entry Capacity Release Methodology Statement unaccompanied by a statement from an Independent Examiner

Thank you for your letter dated 10 September 2020 which asked us¹ to consent to you *not* providing a statement from an Independent Examiner to accompany the modifications that you propose to make to the Entry Capacity Release ('ECR') Methodology Statement in accordance with Special Condition 9A.7² of NGG's Gas Transporter's Licence ("the Licence").

We have decided to grant the consent for the reasons explained in this letter.

Background

As part of UNC Request 0705R "NTS Capacity Access Review", NGG has been working with industry over recent months to propose an amendment to the capacity commitment element of user commitment required to trigger the release of capacity through either substitution or through providing obligated funded incremental capacity. The proposed change requires an amendment to the ECR Methodology Statement, which was last reviewed in July 2019. Special Condition 9A.7 of the Licence provides that, unless the Authority otherwise consents in writing, the methodology must be accompanied by a statement from an Independent Examiner ('the statement').

Proposed changes

You told us that you have recently reviewed the user commitment requirement of the ECR as part of the UNC Request 0705R NTS Capacity Access Review work. The changes proposed are:

- a reduction to four quarters of the application amount required as baseline capacity to release capacity through substitution or through obligated funded incremental

¹ The terms "the Authority", "Ofgem", "we", "our" and "us" are used interchangeably in this letter. The Authority is the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

² [Special Condition 9A. Entry Capacity and Exit Capacity Obligations and Methodology Statements](#)

capacity routes; no change to the requirement to trigger existing capacity to be released.

You said that you did not believe that the amendments proposed to the ECR Methodology Statement necessitate the assessment of an Independent Examiner for the following reasons:

- The extent of the changes are minimal.
- The amendments are only concerned with the amount of capacity within baseline that is required to be committed to, (there is no impact on the financial commitment that is required through the application of the economic (Net Present Value) test to trigger Obligated Funded Incremental capacity, or the incremental capacity requirement).
- The ECR Methodology Statement was last reviewed in 2019 when an independent examination was carried out. In that review, a reduction to the capacity commitment element of user commitment was invoked meaning that the same principles have recently been tested through an independent examination, and you therefore believe that a further independent examination for this proposed change would be a repeat.
- You also highlight the extensive industry discussion of the user commitment requirements that took place during the development of UNC Modification 0667 "Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC".

As a result, you conclude that little or no benefit would be gained from carrying out an independent examination for the ECR.

Our decision

We agree with you that the proposed changes set out above are limited and do not require substantial structural or text changes to the ECR methodology, and we agree that the independent examination carried out in 2019 tested the same principles in the ECR. On this basis we agree that little additional benefit would be gained from receiving a statement from an Independent Examiner on the changes to the ECR which you propose.

We therefore consent that the proposed modifications to the ECR described in your letter can be submitted to us for approval *unaccompanied by a statement from an Independent Examiner*, in accordance with Special Condition 9A.7 of the Licence.

Note that should circumstances change in the future we may reconsider our consent, in particular if the proposed modifications to the methodology contain additional and unanticipated changes beyond those outlined in your letter.

This consent does not fetter our discretion under Special Condition 9A of the Licence. That determination on the changes to the methodology will be made in the light of all relevant facts and circumstances including the feedback received through the consultation processes set out in Special Condition 9A.

This letter has been made available on our website. You can contact Bogdan Kowalewicz at bogdan.kowalewicz@ofgem.gov.uk or on 020 7901 7293 if you have any questions about this decision.

Yours sincerely

David O'Neill
Head of Gas Systems