

Enduring NTS Offtake Arrangements – Initial thoughts on charging arrangements

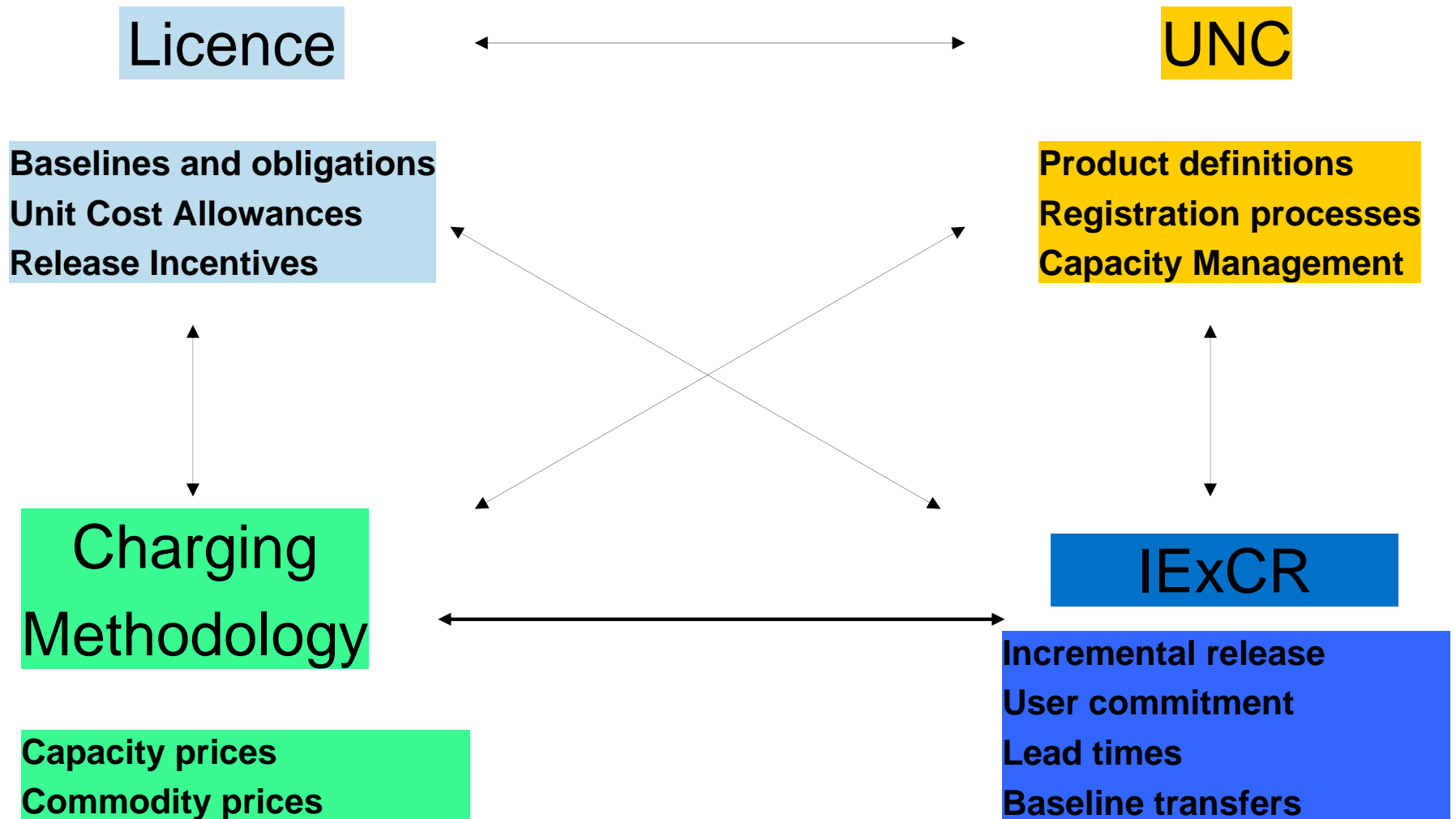
Gas TCMF

24th August 2006

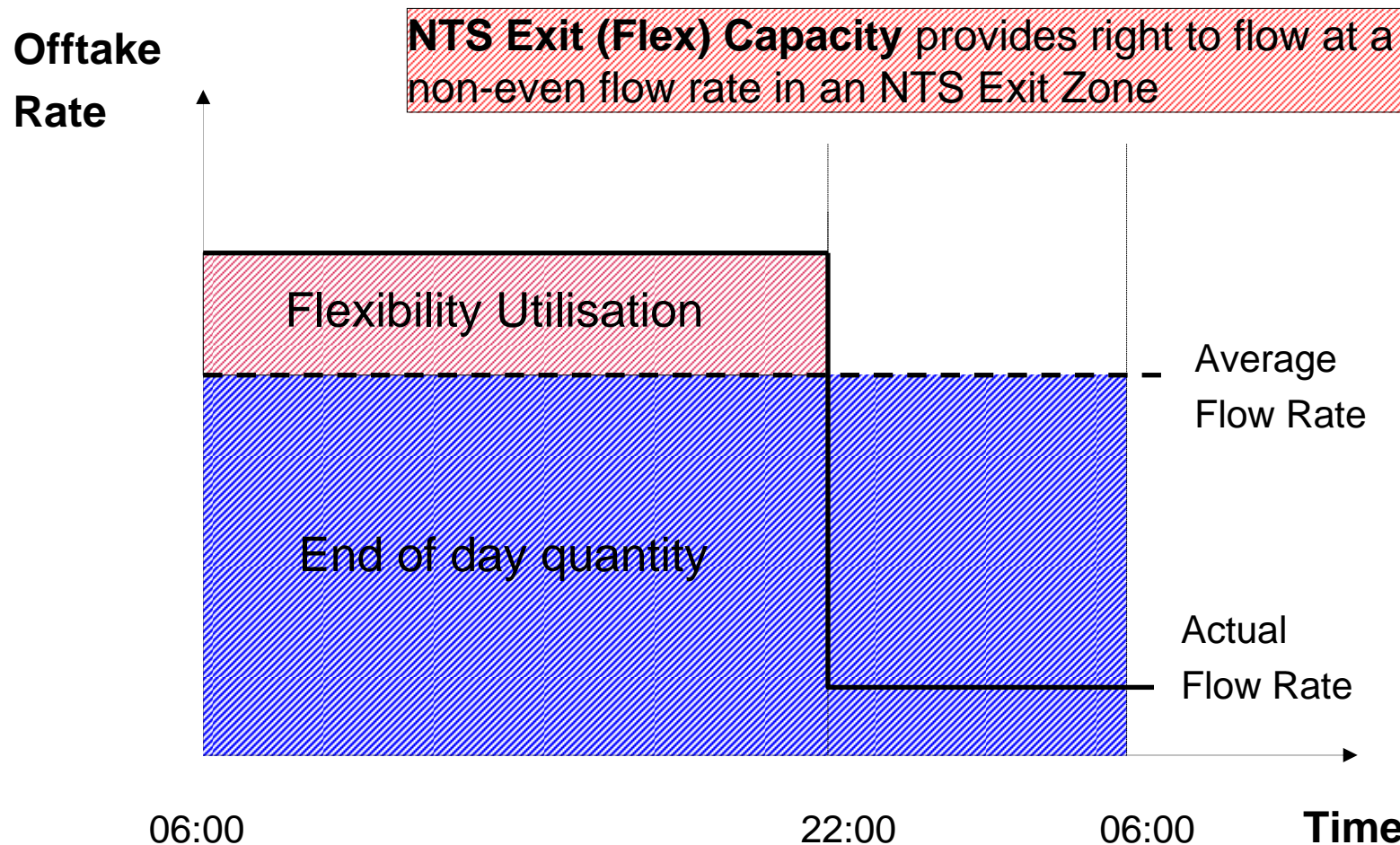
Update on Exit Reform

- ◆ Ofgem has been leading an Enduring Offtake Working Group (EOWG)
- ◆ Discussions focused on
 - ◆ Definition of capacity services
 - ◆ Registration mechanisms
- ◆ EOWG concluded on 23rd Aug with presentation by National Grid on its proposed enduring exit regime
- ◆ Specific proposals now to be progressed through relevant industry forums

Commercial/Regulatory Framework -Enduring Regime Model



Capacity Products



NTS Exit (Flat) Capacity provides right to offtake daily quantity of gas with implied rights to flow at uniform rate at an NTS Exit Point

Flat Capacity

Bundles	Application	Use	Amount
Prevailing	[July] in Year Y	From Y+4	Any, subject to [4] year commitment
Annual	[Aug] in Year Y	Y+1 to Y+3	Up to baseline via pay as bid auction
Daily	D-1 D	D	
Daily Interruptible	D-1	D	UIOLI (plus discretionary) via pay as bid auction

Flex Capacity

Bundles	Application	Use	Amount
Annual	[July] in Year Y	Y+1 to Y+5	Up to 22mscm national baseline, subject to area and local maxima via pay-as-bid auction
Daily	D-1 D	D	Discretionary amount via OPN/pay-as-bid auction

Transportation Charging Arrangements

- ◆ Desire to base enduring charging arrangements on current approaches, where possible
- ◆ Enduring charging methodology required by 1 April 07 in advance of July applications
 - prevailing flat capacity from Oct 2010
 - annual flexibility capacity for Gas Years 2010/11 and 2011/12
- ◆ Approach needs to reflect potential change from Transcost to Transportation Model

Here are our initial thoughts.....

NTS Exit (Flat) Capacity Charging Principles – Based on current charging arrangements

Types	Proposal
Prevailing NTS Exit (Flat) Capacity	Pay prevailing charge for year of use (as under current regime)
Annual NTS Exit (Flat) Capacity	Pay bid price, subject to reserve price equal to: <ul style="list-style-type: none"> ➤ for Gas Year Y+1 – prevailing charge for that year ➤ for Gas Year Y+2 - prevailing charge for Y+1 ➤ for Gas Year Y+3 - prevailing charge for Y+1
Daily NTS Exit (Flat) Capacity	Pay bid price, subject to reserve price equal to prevailing charge for the Gas Year
Daily Interruptible NTS Exit (Flat) Capacity	Pay bid price, subject to reserve price equal to 0.0001 p/kWh

NTS Exit (Flat) Capacity Charging Principles – Under potential new charging arrangements

Types	Proposal
Prevailing NTS Exit (Flat) Capacity	Pay prevailing charge for year of use (as under current regime) <i>Indicative charges published to inform user applications</i>
Annual NTS Exit (Flat) Capacity	Pay bid price, subject to reserve price equal to: <ul style="list-style-type: none"> ➤ for Gas Year Y+1 – prevailing charge for that year ➤ for Gas Year Y+2 - <i>predicted prevailing charges for Y+2</i> ➤ for Gas Year Y+3 - <i>predicted prevailing charges for Y+3</i>
Daily NTS Exit (Flat) Capacity	Pay bid price, subject to reserve price equal to prevailing charge for the Gas Year
Daily Interruptible NTS Exit (Flat) Capacity	Pay bid price, subject to reserve price equal to 0.0001 p/kWh

Prevailing NTS Exit (Flat) Capacity charges- Under potential new charging arrangements

2007 - Publish actual prevailing charge for next Gas Year and indicative for next [6] years

Actual/ Indicative	Gas Year	Network	Supply/Demand forecast
Actual	07/08	07/08	07/08
Indicative	08/09	08/09	08/09
Indicative	09/10	09/10	09/10
Indicative	10/11	09/10	10/11
Indicative	14/15	09/10	14/15

For prevailing rights applications in [July] 07 for Oct 2010 onwards, know indicative prices to inform User commitment

nationalgrid

Prevailing NTS Exit (Flat) Capacity charges - Under potential new charging arrangements

2008 - Publish actual prevailing charge for next Gas Year and indicative for next [6] years

Actual/ Indicative	Gas Year	Network	Supply/Demand forecast
Actual	08/09	08/09	08/09
Indicative	09/10	09/10	09/10
Indicative	10/11	10/11	10/11
Indicative	11/12	10/11	11/12
Indicative	15/16	10/11	15/16

For Aug 08 annual auction for Gas Year 10/11, reserve price set to indicative prevailing charge for Gas Year 10/11

NTS Exit (Flex) Capacity Charging Principles

Types	Proposal
Annual NTS Exit (Flex) Capacity	Pay bid price, subject to reserve price equal to 0.001 p/kWh, consistent with principles that no specific investments for flexibility capacity
Daily NTS Exit (Flex) Capacity	

SO Commodity Charging Principles

Types	Proposal
End of day gas flows	As under current regime – standard SO Commodity rate on all exit flows, but reduced to offset SO Costs attributable to flexibility utilisation
Flexibility utilisation	New SO Flex Commodity Charge to encourage efficient use of NTS Exit (Flexibility) Capacity -set at [5%] of standard SO Commodity rate

Proposed Way forward

Milestone	Date
National Grid NTS issue detailed UNC Business Rules	31 st Aug
Transmission Workstream discussions	5 th and 12 th Sept
Submission of UNC Proposal to Mod Panel	12 th Sept
Mod Panel decision (National Grid NTS to request proposal issued for consultation)	21 st Sept
Gas TCMF -Further thoughts on enduring charging arrangements	Sept (date to be arranged)
Consultations: <ul style="list-style-type: none"> ➤ UNC Modification Proposal consultation ➤ Charging proposals ➤ IExCR Methodology Statement 	Oct-Dec 2006
Enduring charging methodology implemented	April 2007
Applications for: <ul style="list-style-type: none"> ➤ additional prevailing flat capacity from Oct 2010 ➤ annual flexibility capacity for Gas Years 2010/11 and 2011/12 	July 2007