



QSEC NTS Obligated Entry Capacity ("P0") Reserve Prices

Gas TCMF

2nd April 2009

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Background

For all entry capacity auctions and for all entry points the obligated entry capacity reserve price is calculated from the LRMC with the relevant entry point flowing at the obligated capacity level

The one exception is new entry points within the QSEC auction where the reserve price is zero

Issue

While the obligated entry capacity level is zero at new entry points, capacity can be released at the P0 price

This can occur when the economic test has been passed through capacity released through bids at earlier quarters.

- ◆ The NPV of the bids required to pass the economic test is 50% of the project value
- ◆ This suggests that later capacity sales will cover the other 50%
- ◆ This may not be the case if significant capacity has already been released at zero price i.e. allocated at P0 in the first auction for a new ASEP

Proposal

It is proposed that this zero price is removed such that there is a consistent pricing approach for the price of NTS Obligated Entry capacity at all auctions i.e.

- ◆ The QSEC obligated entry capacity reserve price (“P0”) is calculated from the LRMC with the relevant entry point flowing at the obligated capacity level
- ◆ For new entry points this will be the unit cost of increasing from zero and will make the price similar to other local entry points

Charging Timeline

Milestone	Date
Raise Proposal	<i>17 April 2009</i>
Gas TCMF	<i>07 May 2009</i>
Consultation Close-out	<i>15 May 2009</i>
Consultation Report & Final Proposals	<i>01 June 2009</i>
Veto period expires	<i>29 June 2009</i>
QSEC Prices	<i>01 July 2009</i>