Mod671 Proposals

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Licence Obligations

- Paragraph 18

  – National Grid's activities must be:
    - Conducted on a non-discriminatory basis
    - Conducted in an efficient, economic and co-ordinated manner; and
    - Be consistent with the safe and efficient operation of National Grid's pipe-line system and security of supply obligations

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Mod 0671

- Seeks to increase address issues around User Commitment reducing flexibility around Offtake Capacity Bookings and potentially sterilising NTS capacity

- By allowing flat capacity bookings to be exchanged between offtakes owned by a single user without an increase to overall User Commitment levels

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Considerations:

- Which offtakes are eligible
  - Assume all registered to the same User
  - Assume there can also be one to many donor and recipient offtakes

- What is impacted
  - Enduring Annual Flat Capacity (Y+4 onwards)
  - Annual Flat Capacity (Y+2 to Y+3) within baseline
  - Baseline capacity (Y+4 onwards)

- Not impacted
  - Flex, pressures agreed as per current processes
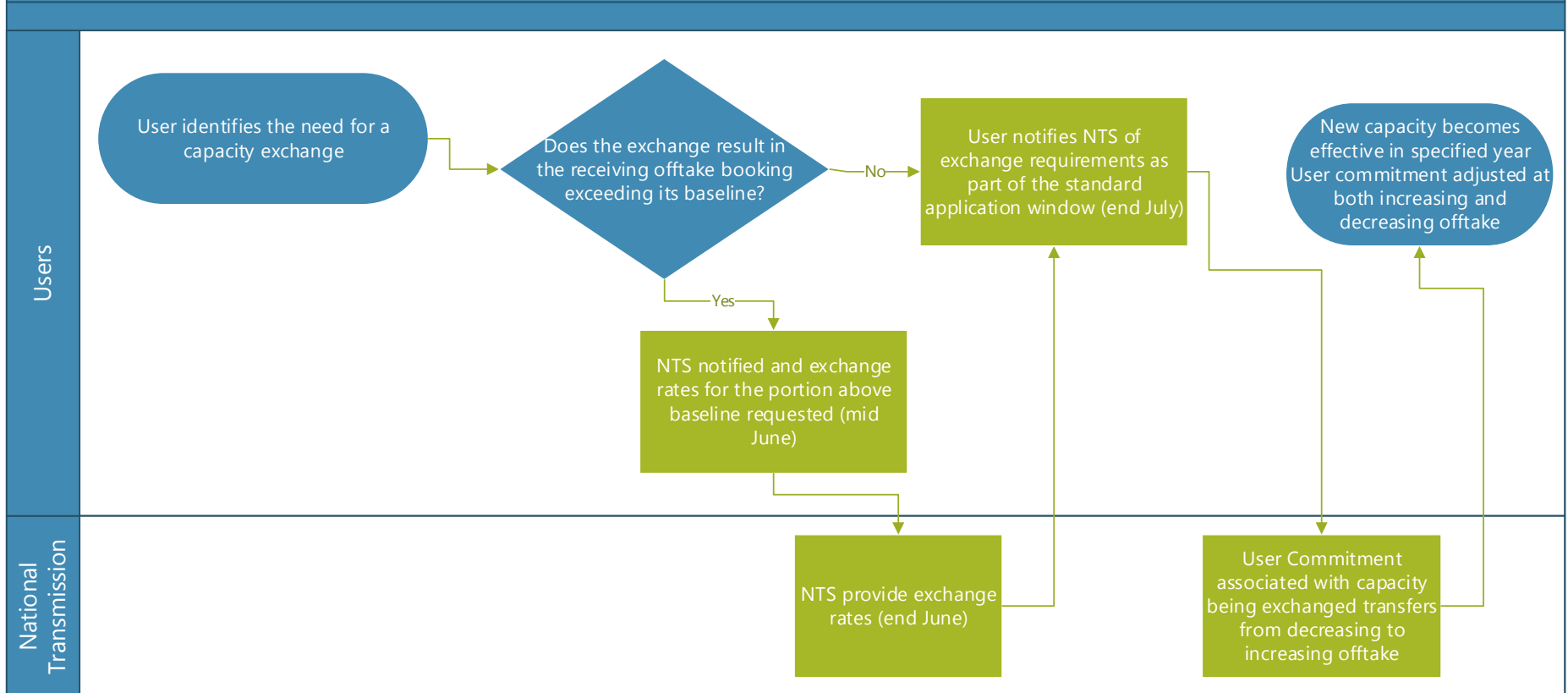 - Pricing as per current processes

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Process and timings

Offtake Capacity Exchanges

Users

User identifies the need for a capacity exchange

Does the exchange result in the receiving offtake booking exceeding its baseline?

No → User notifies NTS of exchange requirements as part of the standard application window (end July)

New capacity becomes effective in specified year User commitment adjusted at both increasing and decreasing offtake

Yes → NTS notified and exchange rates for the portion above baseline requested (mid June)

National Transmission

NTS provide exchange rates (end June)

User Commitment associated with capacity being exchanged transfers from decreasing to increasing offtake

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Decreasing Offtake Examples:

Capacity decrease is top down

- UC to Y+b
- UC to Y+a
- No UC

Category 1   Category 2   Category 3

UC ~ User Commitment
b > a

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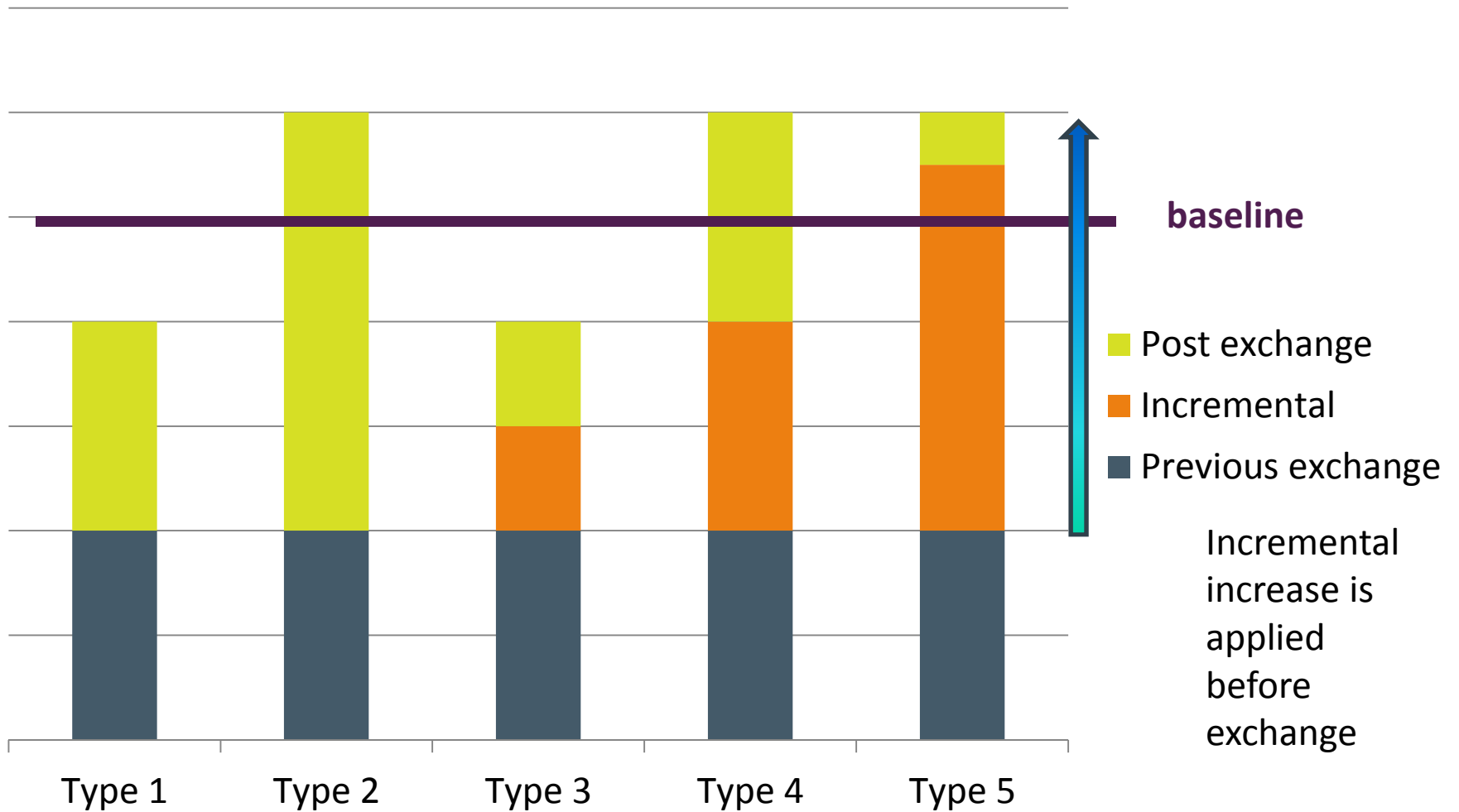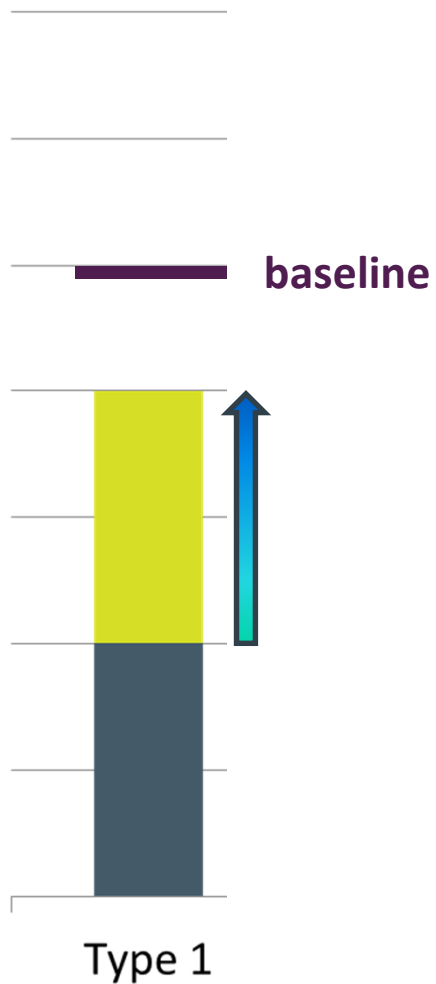
Exchange Rate Category

- Exchange rates to apply only for capacity above baseline at the increasing offtake:
  - < 1
  - = 1
  - > 1

- For changes above baseline we could have exchanges restricted to exit points in the same Exit Zone
  - Reduces amount of NTS analysis
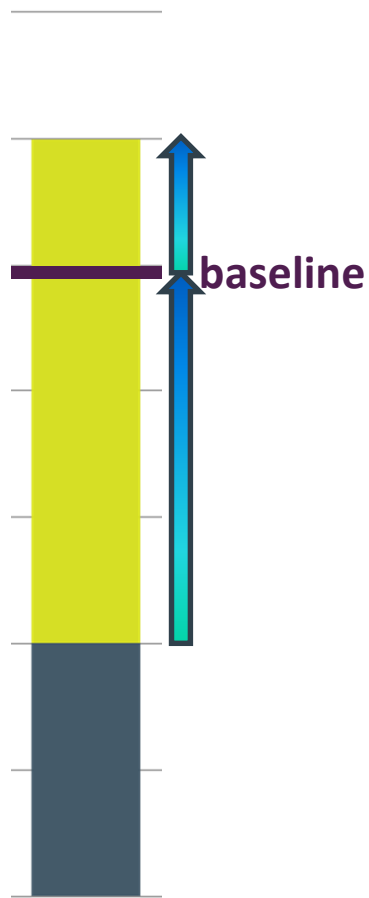 - If so would expect 1:1 exchange rate and same process as for exchanges below baseline

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Increasing Offtake Examples - Enduring

baseline

Post exchange

Incremental

Previous exchange

Incremental increase is applied before exchange

Type 1   Type 2   Type 3   Type 4   Type 5

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baseline

- Exchange rate not required as below baseline
- Remaining User commitment moves from decreasing offtake with the capacity

Type 1

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baseline

- Exchange rate applied as above baseline
- Remaining User commitment moves from decreasing offtake with the capacity

- Exchange rate not required as below baseline
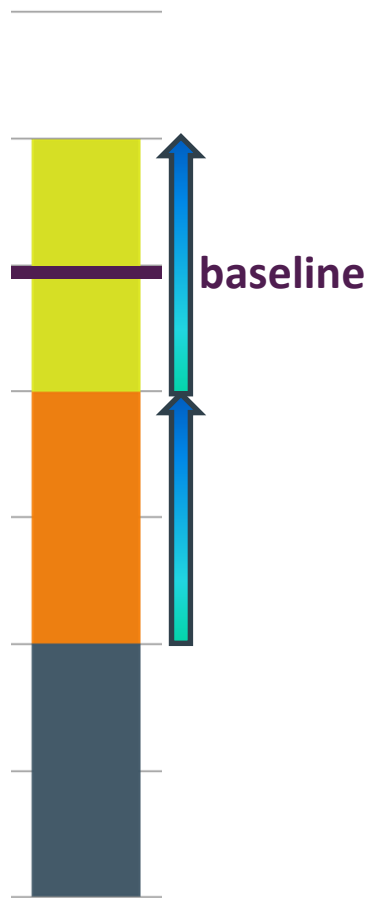- Remaining User commitment moves from decreasing offtake with the capacity

Type 2

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baseline

- Exchange rate not required as below baseline
- Remaining User commitment moves from decreasing offtake with the capacity

- Incremental capacity applied first with 4 years user commitment
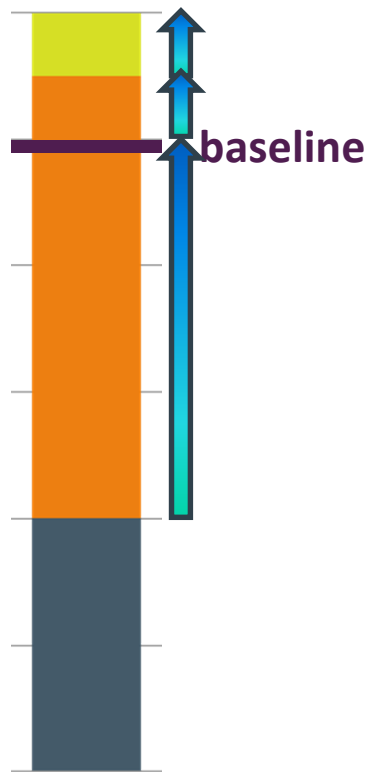
Type 3

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baseline

- Exchange rate applied as above baseline
- Remaining User commitment moves from decreasing offtake with the capacity

- Exchange rate not required as below baseline
- Remaining User commitment moves from decreasing offtake with the capacity

- Incremental capacity applied first with 4 years user commitment

Type 4

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baseline

- Exchange rate applied as above baseline
- Remaining User commitment moves from decreasing offtake with the capacity

- Incremental above baseline (as now)

- Incremental capacity applied first with 4 years user commitment (as now)

Type 5

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Annual Capacity Y+2, Y+3

- Annual capacity can't currently be reduced
- Proposal that it should be possible to reduce annual capacity at one offtake if it's increasing at another
  - From Y+2 only so that NTS Revenue Recovery in Y+1 is not impacted

NB: Price for Y+1 set before Annual Application window opens

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