

Representation For. 0037
"Limitation on offering for sale unsold capacity"
Version 1.0

Date of Communication: 25/07/2005
External Contact: Charles Ruffell (RWE Npower Plc)
Slant: Against
Strictly Confidential: No

Abstract

Mr Julian Majdanski
Secretary, Modification Panel
Joint Office
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Modification Proposal 0037: Limitation on offering for sale unsold capacity.

Dear Julian

Thank you for inviting us to comment on this modification proposal.

RWE npower does not support implementation of modification proposal 0037.

We have given our qualified support for Modification Proposal 0036 "Limitation of incremental capacity offered in QSEC auctions". However, we do not agree that the mechanism applied in 0036 should be extended to the sale of unsold capacity.

The interactions between this proposal, the 2002 ~ 2007 Price Control settlement and the Transco NTS incentives has not been explained. It is hard to see how it will fit in with the baselines remunerated under the Price Control. Under the proposal, Transco NTS would have considerable flexibility in how it meets its various licence obligations related to capacity release and there is little clarity defined over the decision-making mechanism. To allow them to 'reasonably assess' circumstances where they may be unable physically to deliver capacity is not acceptable.

The proposal appears to apply to be existing and new entry points as well as auctions over long and short-term timescales. It is therefore much wider in its application than envisaged under 0036.

In the absence of auction signals creating physical rather than financial capacity rights, the capacity regime was designed to maximise capacity made available to Users. This proposal undermines this fundamental principle. The main argument for introducing this flexibility is for

shippers and Transco NTS to avoid potentially high buy-back costs. We have consistently argued that for Transco NTS to make the efficient decision between investment and buy-back, it alone should be exposed to buy-back costs. We hope to discuss this matter as part of the upcoming Transmission price Control Review.

We hope these views are helpful and would be happy to discuss matters further.

Yours sincerely

By Email So Unsigned

Charles Ruffell
Economic Regulation