



**Modification Proposal 243 – Amendments to the process for
initialisation of enduring NTS Exit (Flat) Capacity at the Moffatt NTS exit
point
Comments from AEP¹**

The Association welcomes the opportunity to comment on this draft modification report.

The Association offers support for the proposal, but is disappointed that this is being raised at such a late stage in the process with a shortened consultation period and only a few weeks before the initialisation processes detailed in modification 195AV begin to take effect. We also note that the initialisation processes were similar for all proposals (except 116A) so that any proposal of this type could have been worked up in advance of the formal Ofgem decision being issued. That said we note that a well written and fully developed proposal has been presented to the industry.

The proposal argues that Moffatt should be treated differently from other exit points. The principle of treating exit points in a different manner to take account of the type of connection was debated extensively during the exit reform processes. The decision to implement 195AV recognized that direct connects could be treated differently to DN offtakes. The Association was supportive of this approach. This proposal now seeks to treat a single offtake point differently from other direct connects because of the complexity of the arrangements downstream of the offtake and the consequences that could arise because of that.

Many other offtakes face similar issues where the shippers requiring capacity in Oct 2012 may be different from those that will be assigned enduring rights at initialisation. From the simplest case being an offtake that changes supplier, to a shared supply meter point to a storage offtake through to other Interconnectors. There are a number of features included within 195AV to help manage these situations including assignment provisions, trading of capacity and the appointment of an agent to manage capacity bookings. It is unfortunate that shippers at Moffatt have been unable to utilize these

¹ The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95 per cent of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies.

mechanisms. However we do recognize that Moffatt may be the most complex of direct connect offtakes.

When a new regime is implemented there will always be issues which either have not been dealt with in time or were unforeseen during the development process. We consider it is only sensible to try and deal with these in a balanced and pragmatic manner so long as other parties are not materially disadvantaged. It is on this basis that we support this proposal, and expect any other issues to be considered in a similar way.

We consider that the proposal furthers the relevant objectives;

SSC A11.1 (a) a closer match of booked capacity with traded volumes may promote the economic and efficient operation of the system, but this may not be very significant overall since there is likely to be spare capacity available at Moffatt.

SSC A11.1 (c) as misleading signals for incremental capacity could be seen if there was a less co-ordinated approach to booking capacity and this would not be consistent with economic and efficient development of the system

SSC A11.1 (d) securing effective competition by enhancing competition and liquidity at Moffatt since the arrangements will be less complex and risky than if the proposal is not implemented. However this should be balanced against whether linking capacity to downstream capacity certificates could actually limit liquidity.

SSC A11.1 (f) Not convinced that this objective is furthered since it is seeking special arrangements for a single offtake.

The Association also notes that further change in respect of the arrangements at Moffatt is expected to introduce enduring arrangements post 2012. It is possible that in this timescale European initiatives that seek to align arrangements either side of an interconnection point between Member States with respect to capacity allocation and congestion management may have some bearing on this, and could also affect arrangements at other interconnectors.

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