

Session 3 Questionnaire – Bundled Capacity

Name: **Craig Purdie**
Organisation **Centrica Storage Ltd**
Stakeholder Group (if any) **Storage Operator**

Prevailing Capacity

1 Do you accept the principle of a minimum notice period for provision of Prevailing Flat Exit Capacity?

No

(a) If so, what period?

Where exit capacity is currently available and no network investment is required, it should be made available asap to the requestor.

(b) Do you believe that there should be any exceptions and if so, what and for whom?

If capacity is available where no investment is required, it should be made available asap to any requestor. If new incremental investment is required, then this should be taken into consideration and appropriate notice period to allow investment to take place.

2 Do you accept the principle of a minimum duration for allocation of Prevailing Flat Exit Capacity?

Not if it is existing capacity where no investment is required. If new incremental capacity is required with investment, then yes.

(a) If so, what period?

If new incremental requiring investment, the period should be either n years where the user is obliged to pay the use of capacity charges for these years (4 if based on 116 proposals consistent with previous discussions at Ofgem's Enduring Offtake Working Group), or x years paying capacity charge based on NPV @50% of the true costs of the investment made – which ever is least. For seasonal storage sites, the commitment should be considered with a summer (April – September) / winter (October – March) split. In summer, storage would be using exit capacity, providing demand when supply is high.

(b) Should this period be fixed or related to any NPV criteria?

As above. The user should also have the option to pay the sum of money which is equivalent to above.

(c) Do you believe that there should be any exceptions and if so, what and for whom?

Storage sites should benefit from reduced charges as they provide a service that results in less costly investment in the NTS.

3 What do you believe would be the appropriate determinant for National Grid NTS to invest on the basis of prevailing capacity applications eg NPV test of 50%?

A user commitment length of n years(4 as above), or NPV test of 50% of true cost of investment made – which ever is least.

4 Do you believe that National Grid NTS should be able to choose the more efficient/economical alternative of installing additional capacity or reducing the baselines at other exit points?

Yes but the requestor must benefit from the efficiency with costs being reduced accordingly.

5 Do you believe that identical arrangements to the above should be offered to non Users under ARCA arrangements?

Yes.

(a) If not, what changes to the above terms should apply?

6 Do you believe that there should be a staged commitment option available so that Users or non Users can signal potential requirements without making an initial commitment to the full cost of the capacity?

Yes. The project should be considered in stages rather than as a whole, and NG are given enough security of investment for each stage rather than making an initial commitment to the full cost of the capacity.

(a) If so what are the basic principles that should apply?

As above, user commitment increases at given stages. The requestor has the option to cancel the incremental capacity at any time and is only accountable for the investment level agreed to that stage or the true costs of the investment made to date.

7 Do you accept the principle of an application window in July each year?

No. This is unnecessary, restrictive and could cause delays.

(a) If not, what alternative would you suggest?

Application at any time.

8 Do you accept that, following the July application window, National Grid NTS will, after notifying the relevant Users, publish the following for each exit point:

(i) Aggregate quantity allocated.

(ii) Aggregate quantity of reductions accepted with their effective dates

(iii) Aggregate quantity allocated in excess of Baseline

(iv) Number of Users applying for additional capacity rights?

We believe publication of the above would not have a detrimental effect on the market. This could be published on a 6 monthly basis with a summer & winter publication for storage.

(a) If not, what alternative would you suggest?

As above

8 Do you believe that Prevailing Flat Exit Capacity should roll-over automatically year to year unless the User has applied to reduce its capacity holding under 9 below?

Yes

(a) If so, should this principle also apply to capacity holdings prior to the onset of the enduring regime?

Yes

(b) Should there be any rules in place, in respect of roll-over rights, to avoid to gaming and if so what?

Yes. Appropriate use it or lose it, or interruptible mechanism must be in place to prevent capacity hoarding.

9 Do you accept the principle of a minimum notice period for voluntary reduction of Prevailing Flat Exit Capacity held?

Such a period would hinder the ability of users to switch energy supplies adding inefficiency.

(a) If so, what period?

As above

(b) Should this be subject to any minimum duration set in 2 above?

No. However charges should be paid which are equivalent to either the capacity charges through the length of user commitment or through a bulk payment to cover the investment costs. If no investment made, no payment required.

(c) Should this period be subject to the return National Grid NTS or its predecessors has already made on the relevant Transmission assets and if so how?

It should be subject to equal the charges in respect of the user commitment length or 50% of true cost of investment as above depending on the agreement entered into.

(d) Do you believe that there should be any exceptions and if so, what and for whom?

No.

Annual and Daily Capacity

10 Do you accept the principle of Annual Pay as Bid Auctions for Remaining Flat Exit Capacity ie excess of Baseline Capacity above previously booked Capacity?

Yes for initial allocation. After this, spare should be offered every seasonal/day/week/month.

(a) If so, how many rounds?

No preference

11 Do you accept the rules for the Auction embodied in Annex B-1 of the legal text submitted for Modification Proposal 0116V?

(a) If not, what changes do you propose?

Fine.

12 Do you believe that Users should be permitted to use the Annual Auctions to reduce their Prevailing Flat Exit Capacity held?

No. Should be able to voluntarily reduce at any time subject to payment of any outstanding investment charges.

(a) If so, should such reductions have a lower priority for sale than Remaining Flat Exit Capacity?

Should all be offered together.

13 Do you accept the principle of Daily Pay as Bid Auctions for Remaining Flat Exit Capacity?

Absolutely. If it is available, it should be offered.

(a) If so, are the following times acceptable: 15.00 D-1, 08:00, 14:00, 18:00, 22:00 and 01:00 D?

Hourly should be considered.

(b) If not, what times do you suggest?

Transfer/Trading of Capacity

14 Subject only to credit criteria, do you believe that any User should be free to trade capacity with another User?

Yes. At the same supply point and the cost of investment should move with the capacity.

(a) For a specific term?

Yes

(b) Permanently?

Yes

15 Should both Transfers and Assignments (where the liability continues to rest with the original capacity holder) be permitted?

Yes

Overruns

16 Do you accept the principle of Overrun charges where the User flows in excess of its capacity booking?

Yes

(a) If so, do you accept the structure of the highest of the following for that exit

point:

- (i) Eight times the highest price paid for capacity**
- (ii) Eight times the highest reserve price; and**
- (iii) 1.1 times any buy-back purchased on that Day?**
- (b) If not, what structure do you suggest?**

If you use the capacity, then this shows that you need it. You then pay 110% for it as 6 months firm.

17 Do you accept the principle of an overrun User, if appointed that incurs all the liability for overruns at that exit point?

Unnecessary for flat capacity. This introduces unnecessary contractual relationships at a shared point, hindering competition for exit at user points.

18 For bi-directional points such as Storage Facilities and Interconnectors do you accept the principle of an overrun quantity based on net flows and nominations?

Yes absolutely

(a) If so, outline the calculation of overrun quantity

Overrun Volume = Nominations **onto** the Network - Sold Capacity

NET Overrun Volume = Overrun Volume – Nominations **off** the Network

- Individual shipper NET Overrun volume is pro-rated on this basis.

Buy Back

19 Do you accept the Principle of buy-back as a means by which National Grid NTS can address constraints?

In principle yes, but we do not believe this will generate an efficient outcome and this should not be needed - current interruptible arrangements must remain.

20 If so, do you believe that National Grid NTS should have the option of buy-back through option and forward contracts as well as through within day.

Only if NG are sufficiently exposed to cost but shouldn't need to happen due to interruptible arrangements.

Neutrality

21 Which costs and revenues in respect of the above should be included in Exit Capacity Neutrality

The proportion which NG are exposed to.