

Work Programme

UNC Modification Reference Number 0166

Review of necessary reform of NTS Offtake Arrangements

1 Delivery Timescale

In its Terms of Reference this Review Group has made a commitment to complete its deliberations in time for the UNC Panel of 20 December 2007. The target deliverables agreed are the Review Group Report and fully drafted Modification Proposal(s) that enjoy consensus support of the group.

2 Scope of Work

The Review Group has decided to divide its work into the following areas:

- (a) Bundled Capacity – The User Commitment Model
- (b) Interruption
- (c) Flexibility

Whilst these areas are interrelated, it is intended that the Report reflects these three work areas and three separate Modification Proposals are developed. This will allow both the Report and Proposals to be developed as the Review Group Proceeds.

3 Outline of Agendas for Each Session

(including those that have already taken place)

Session 1: 6 September 2007

- (a) Agreement of Terms of Reference
- (b) Agreement of Process

Session 2: 20 September 2007

- (a) Presentation of Competition Commission Decision
- (b) Stakeholders Presentation
- (c) Outline Agreement of Workplan

Session 3: 4 October 2007

- (a) Agreement of the Principles for User Commitment to the Bundled Capacity Product
- (b) Allocation of Tasks for Interruption Session

Session 4: 18 October 2007

- (a) Agreement of Principles of Interruption
- (b) Review of Draft Modification Proposal and Report Sections on Bundled Capacity
- (c) Allocation of Tasks for Flexibility Sessions

Session 5: 1 November 2007

- (a) National Grid Presentation of Current and Forecast Flexibility Usage

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- (b) High Level Principles Discussion – What is needed, for whom and when?
- (c) Review of Draft Modification Proposal and Report Sections on Interruption
- (d) Allocation of Tasks for Second Flexibility Session

Session 6: 15 November 2007

- (a) Development of Preferred Flexibility Option(s)
- (b) Allocation of Tasks for Third Flexibility Session

Session 7: 6 December 2007

- (a) Testing of Preferred Flexibility Option for Various Exit Point Types
- (b) Agreement of Report and Modification Proposals

4 Homework

In addition to accepting actions, members will be issued beforehand with a questionnaire setting down the various options that have been raised in the development of the Enduring Exit Regime. This will be used as a basis for discussion in the following session. The questionnaires will be sufficiently flexible to allow innovative ideas to be discussed. The questionnaire for Session 3 is attached.

Session 3 Questionnaire – Bundled Capacity

Name: _____ Organisation _____ Stakeholder Group (if any) _____

Prevailing Capacity

- 1 Do you accept the principle of a minimum notice period for provision of Prevailing Flat Exit Capacity?
 - (a) If so, what period?
 - (b) Do you believe that there should be any exceptions and if so, what and for whom?

- 2 Do you accept the principle of a minimum duration for allocation of Prevailing Flat Exit Capacity?
 - (a) If so, what period?
 - (b) Should this period be fixed or related to any NPV criteria?
 - (c) Do you believe that there should be any exceptions and if so, what and for whom?

- 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%?

- 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?

- 5 Do you believe that identical arrangements to the above should be offered to non Users under ARCA arrangements?
 - (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?
 - (a) If so what are the basic principles that should apply?

- 7 Do you accept the principle of an application window in July each year?
- (a) If not, what alternative would you suggest?
- 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?
- (a) If not, what alternative would you suggest?
- 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?
- (a) If so, should this principle also apply to capacity holdings prior to the onset of the enduring regime?
- (b) Should there be any rules in place, in respect of roll-over rights, to avoid to gaming and if so what?
- 9 Do you accept the principle of a minimum notice period for voluntary reduction of Prevailing Flat Exit Capacity held?
- (a) If so, what period?
- (b) Should this be subject to any minimum duration set in 2 above?
- (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?
- (d) Do you believe that there should be any exceptions and if so, what and for whom?

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?

(a) If so, how many rounds?

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?

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

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

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

(a) If so, are the following times acceptable: 15:00 D-1, 08:00, 14:00, 18:00, 22:00 and 01:00 D?

(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

(a) For a specific term?

(b) Permanently?

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

Overruns

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

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

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- (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?

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

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?

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

Buy Back

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

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.

Neutrality

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