

Work Programme
UNC Modification Reference Number 0166
Review of necessary reform of NTS Offtake Arrangements
Session 4 Questionnaire – Interruption Product

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Objectives of NTS Interruption Arrangements

- 1 What should be the main objectives of the NTS Interruption regime?
 - (a) To provide access without requiring NG NTS to invest in the system.
Yes
 - (b) To provide NG NTS with a tool to manage constraints on the NTS.
Yes
 - (c) To facilitate of the sale of spare NTS capacity.
Yes, at a price appropriate to the “firmness” of the service
 - (d) To seek to maximise use of NTS capacity.
Yes
 - (e) To facilitate competition within GB and trade between EU member states through spot shipping and supply.
Should be supportive
 - (f) To be compliant with all laws and regulations relevant to such services.
Must be, surely no choice!
 - (g) Other (please state): ???

- 2 To what extent do the current NTS interruption arrangements meet these objectives?
These objectives are met by the current regime but the current regime does not fully reflect the price paid for the service with the potential to curtailment of supply.

Products Available

- 3 Which of the following interruptible/buy-back products do you believe should be available? (more than one may be selected)
 - (a) A general entitlement to interruptible capacity based on zero or discounted capacity charges.
Yes, with price reflecting the likelihood of interruption. This requires greater transparency to assess degree of “firmness”.
 - (b) Use it or Lose It (UIOLI) rights based upon take-up of Firm Capacity over a previous period.

Yes, answer as 3(a)

- (c) Long term Buy-back Contracts where National Grid NTS would otherwise require investment.

This is a proxy for interruptible contract. If generally available to Users could achieve realistic value of interruption. Danger of distressed buyer in short-term, therefore lead time necessary in line with investment.

- (d) Short term buy-back arrangements where National Grid NTS would otherwise require investment.

Investment is not a solution to short term constraints

- (e) Transitional Interruptible arrangements whilst firm capacity is being built on the NTS to support an application by that User

General Entitlement Interruptible Service

- 4 Do you believe that NTS offtakes should have a right to opt for access on an interruptible basis?

Transportation charges should reflect use of system and to likelihood of the system not being available

- 5 If yes do you consider this should apply to particular classes of user (such as storage, interconnector users and 'back-up supplies')

This could be addressed by a short –term (less than one year) product

- 6 If so, should the capacity be available?

- (a) At zero or discounted capacity rate – and if so what rate.

Answer as per 4.

- (b) As a discount on another charge eg TO Commodity Charge and if so outline basis.

This would lead to further distortion of the aims of recovery of revenue against specific assets or operations, i.e. capacity/commodity split.

- (c) At a single rate associated with a standard maximum days of interruption.

Answer as per 4.

- (d) At rates associated with maximum days – if so outline structure.

Answer as per 4.

- 7 It has been suggested that some interruptible users are effectively firm because of the infrequency of interruption. Do you agree with this statement?

Broadly, yes.

- 8 Can a 'general entitlement' interruptible service be defined in such a way as to ensure interruptible users do not receive a firm service at a discounted price? Please state any suggestions:

Priced at a rate reflecting likelihood of interruption

- 9 Can a 'general entitlement' interruptible service act as an effective UIOLI anti-hording mechanism.

With sufficient transparency of system operation to forecast potential of interruption

Questions 10 to 19 are typically associated with a 'universal firm' regime.

UIOLI

- 10 Which of the following principles do you accept for release of capacity under UIOLI?

(a) Availability based upon 30 Day rolling average of Firm Capacity Usage

No, restrictive

(b) Availability at 15.00 D-1

Yes

(c) Additional National Grid NTS discretionary release up to baseline.

Why restrict to baseline if below true capability on the day

(d) Additional National Grid NTS discretionary release up to and exceeding baseline.

Yes, but this is also dependent upon transparency of system operation

(e) Either(c) or (d) but with rules on National Grid NTS release – If so outline rules:

See (c) and (d) above

(f) Right of National Grid NTS to curtail Interruptible flows prior to activating any other constraint management measure.

Yes

- 11 What governance processes should be in place to ensure?

(a) Fairness of terms

(b) Equitability of terms

(c) Transparency of price and take-up

Long Term Buy-back Arrangements

- 12 Should Long Term Buy-back Contracts be available?

(a) For cases where National Grid NTS would consequentially avoid investment on the NTS.

Yes

(b) For constraint management reasons associated with maintenance or breakdown.

Potentially

(c) For other reasons – state criteria.

13 Should the structure of these Buy-back Contracts be option/exercise price?

Yes

(a) If so, how should the following be derived?

Unlikely to be a “standard” fitting all offtakes but would need to reflect costs of maintaining the ability to interrupt i.e. cost of storage of distillate, then cost of interruption i.e. cost of distillate. In some cases, it may require exercise only i.e. cost of non-production.

(i) Option Price

(ii) Exercise Price

(b) If not, what structure should apply

14 What governance processes should be in place to ensure?

(a) Fairness of terms

Open & Transparent

(b) Equitability of terms

Open & Transparent

(c) Transparency of price and take-up

Open & Transparent

Short Term Buy-Back Arrangements

15 Should Short Term Buy-Back Arrangements be available?

(a) To address short term constraints due to maintenance or failure

Potentially

(b) For cases where National Grid NTS would consequentially avoid investment on the NTS.

(i) In respect of DN Offtakes where a 1 in 20 obligation exists

If on a transparent, open commercial footing

(ii) In respect of NTS Supply Points where no such obligation exists.

If on a transparent, open commercial footing

16 Should Buy-Back Arrangements be exercised by National Grid NTS?

(a) Through pay as bid Auctions - if not indicate other mechanism.

Potentially

(b) After 15.00 D-1 – if not indicate suggested time criteria.

17 What governance processes should be in place to ensure?

(a) Fairness of terms

Open & Transparent

(b) Equitability of terms

Open & Transparent

(c) Transparency of price and take-up

Open & Transparent

Transitional Arrangements

18 Do you believe that a User applying for Firm Capacity should be entitled to interruptible capacity to cover the intervening period, if National Grid cannot provide firm capacity immediately?

Yes

19 If so, should the capacity be available?

(a) At zero or discounted capacity rate – and if so what rate.

Related to likelihood of interruption

(b) As a discount on another charge eg TO Commodity Charge and if so outline basis.

Preferred to be capacity related

(c) At a single rate associated with a standard maximum days of interruption.

(d) At rates associated with maximum days – if so outline structure.

Other Terms -Failure to Interrupt

20 In addition to any overrun charges that apply, do you believe that Failure to Interrupt charges should apply?

(a) If so, what charging structure and rate would you suggest?

Strong Incentive required!

21 Do you believe that National Grid NTS should have the right to request test interruption when it has reason to believe that the User is unable to comply with an interruption request?

National Grid should be able to demonstrate their concerns to a User, if not could resort to regulator

(a) If so, what rules should apply?