

## Section 3 Questionnaire - Bundled Capacity

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Organisation: RWE npower and the UK business of RWE Trading GmbH

### Prevailing Capacity

1. Do you accept the principle of a minimum notice period for provision of Prevailing Flat Exit Capacity? - In the case of an application for incremental flat exit capacity at an existing exit point, we believe the principle of a minimum notice period is appropriate and this should be applied for during an annual window. In the case of an application for incremental flat exit capacity at a new exit point (DC or DN Offtake) we do not think a minimum notice period is appropriate and applications should be able to be made by way of ARCA arrangements at any time.

(a) If so, what period? - 39 months (inc 3mos from application window to commencement of Gas Year) in the case of incremental flat exit capacity at an existing exit point. In making an application for incremental capacity however, Users should be able to indicate whether they require capacity to be made available earlier should NG be able to do so. NG should have a licence requirement to use reasonable endeavours to make capacity available by any earlier User required date and should be commercially incentivised to do so. However, in the event they are not able to comply the 36+3 month period should act as default. User commitment and NG buy back should become effective on the earlier User required date or default date regardless whichever relevant regardless of whether capacity is physically available by then.

(b) Do you believe that there should be any exceptions and if so, what and for whom? - Exceptions to minimum notice periods should apply only to applications for incremental flat exit capacity at new exit points (DC or DN Offtake).

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

(a) If so, what period? - 48 months from the date the capacity is due to be made available

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

(c) Do you believe that there should be any exceptions and if so, what and for whom? - In the event incremental capacity is not made available on the due date shippers should be exempt from making capacity payments until such time as it is made available, although the minimum duration should persist until the 4<sup>th</sup> anniversary of the date it was due to be made available.

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%? - Provided the user commitment referred to in 2 is given this should be sufficient for NG to release any incremental prevailing capacity applied for and to include the efficiently incurred cost of providing that capacity in their RAB/RAV.

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

5. Do you believe that identical arrangements to the above should be offered to non Users under ARCA arrangements? - We believe that all incremental capacity at new exit points should be applied for by way of ARCA arrangements which can be entered into by both Users and non Users

(a) If not, what changes to the above terms should apply? - An ARCA signed by a non User should ensure the obligation to pay capacity charges, as detailed in 2 above, transfers to a User once a Registered User is in place.

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

(a) If so what are the basic principles that should apply? - As previously stated we believe that all applications for capacity at new exit points (DC and DNO Offtake) should be covered by ARCAs, regardless of whether investment is required by NG or not. Such ARCAs could provide for staged commitment where appropriate, but should contain the same principles of User commitment as described above. NG should have a licence requirement and commercial incentive to make capacity available by the commissioning date required by the User, but a default lead time should apply from the final commitment date specified in the ARCA in the event this is not possible. Due to the fact that the ARCA process may allow some of the pre-construction work/planning to be done prior to the User making a final commitment, and that ARCA applications can be made at any time, it is hard to say at this stage what this default lead time should be. In any event it however, should not be longer than 39months. Exactly how such an arrangement could work requires further industry discussion, but the idea is to make the arrangements for new exit points more flexible to allow more efficient co-ordination of work planning and construction, whilst retaining the core principles of User commitment.

7. Do you accept the principle of an application window in July each year? - Yes but only for applications for incremental capacity at existing exit points.

(a) If not, what alternative would you suggest? Incremental flat exit capacity at new exit points applications should be allowed 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 - Yes at each exit point (DC or DN Offtake)

(ii) Aggregate quantity of reductions accepted with their effective dates - Yes at each exit point

(iii) Aggregate quantity allocated in excess of Baseline - Yes at each exit point and if the quantity allocated in excess of baseline is effective from a date earlier than referred to in 1a) above, the effective date of this allocation.

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

(a) If not, what alternative would you suggest? - In addition to the above information NG should be required to notify all Users when a final commitment has been made via an ARCA to make incremental exit capacity available at a new exit point from a certain date.

9. 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? - Prevailing at existing exit points (DC and DN Offtake) should be based on the principles in 116V updated by a year (i.e. DC prevailing based on max firm and interruptible bookings in Gas Year 2006/7 and DNO prevailing based on 2007 OCS Statement, both cases capped by baseline). Prevailing at new exit points (DC and DN Offtake) commissioned in the transitional period should be based on the level of registered capacity held immediately prior to the start of the enduring period).

10. Do you accept the principle of a minimum notice period for voluntary reduction of Prevailing Flat Exit Capacity held? - Yes

(a) If so, what period? - 15 months (inc 3mos from reduction window to commencement of Gas Year)

(b) Should this be subject to any minimum duration set in 2 above? - Yes. The minimum duration user commitment period applicable for incremental capacity at existing exit points and incremental capacity at new exist points needs to have expired before the reduction can become effective.

(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? - No

(d) Do you believe that there should be any exceptions and if so, what and for whom? - No

### **Annual and Daily Capacity**

11. Do you accept the principle of Annual Pay as Bid Auctions for Remaining Flat Exit Capacity i.e. excess of Baseline Capacity above previously booked Capacity? - Yes

(a) If so, how many rounds? - 2

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

(a) If not, what changes do you propose? - N/A

13. Do you believe that Users should be permitted to use the Annual Auctions to reduce their Prevailing Flat Exit Capacity held? - To the extent this is suggesting Users surrender capacity which is then made available in the pay as bid auction (similar to the transfer and trades process introduced at entry), we do not think this is appropriate. Users

however, should be able to reduce capacity as described in 10 above and to relinquish capacity to NG under Exit Capacity Management Agreements.

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

14. Do you accept the principle of Daily Pay as Bid Auctions for Remaining Flat Exit Capacity? - Yes

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

(b) If not, what times do you suggest? - N/A

### **Transfer/Trading of Capacity**

15. Subject only to credit criteria, do you believe that any User should be free to trade capacity with another User - Yes

(a) For a specific term? - Yes

(b) Permanently? - Yes

16. Should both Transfers and Assignments (where the liability continues to rest with the original capacity holder) be permitted? - Yes but in the case of Assignments liability should rest with the new assignee capacity holder.

### **Overruns**

17. 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: - Yes

(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?

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

19. 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? - No (see our response to Mod 164)

(a) If so, outline the calculation of overrun quantity - N/A

### **Buy Back**

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

21. 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. - **Yes**

**Neutrality**

22. Which costs and revenues in respect of the above should be included in Exit Capacity Neutrality - **Non obligated Firm NTS Exit Capacity, Interruptible NTS Exit Capacity, Exit Overrun charges, Exit Capacity Management Agreement Costs (excluding daily Exit Capacity Buyback actions)**