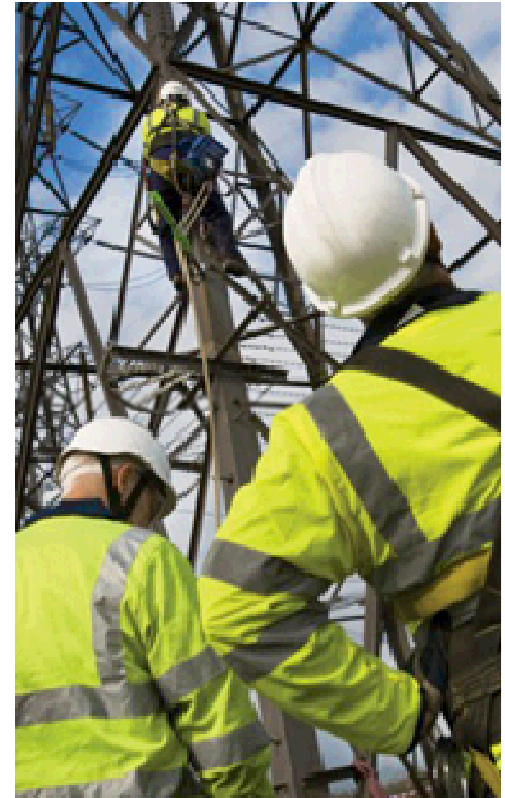
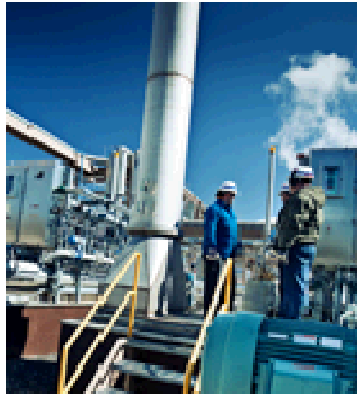


Exit Capacity Release Methodology Statement

Transmission Workstream 4th February 2010



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Review of ExCR

- ◆ National Grid is required to publish an Exit Capacity Release Methodology Statement. It is further required:
 - ◆ to review the statement each year;
 - ◆ consult on proposed revisions;
 - ◆ Obtain approval of the Authority before implementing proposals.
- ◆ The review has been undertaken and a number of revisions are being considered;
 - ◆ Many are clarifications or added detail,
 - ◆ The following slides provide an overview of the more significant changes that National Grid is considering proposing.

Main Changes Being Considered: Transitional Period

- ◆ Updated for progression of time.
- ◆ Initialisation rules added:
 - ◆ Capacity registered in the Transitional period will be initialised and carried over into the Enduring period (as per UNC).
- ◆ Section for capacity release “outside investment lead-times” unlikely to have relevance but retained.
 - ◆ Potential requirement for revenue driver included.

Main Changes Being Considered: Enduring Exit Period

- ◆ Terminology updated
 - ◆ Removal or amendment to “flex” references
- ◆ Initialisation rules condensed
 - ◆ Allows on-going initialisation of new allocation in Transitional Period.
 - ◆ Where initialised quantities have been increased, reductions allowed but subject to UC rules.
- ◆ Capacity Assignment and Transfer (paras 58-61 & 94-97)
 - ◆ Acknowledge as means to obtain capacity
 - ◆ Assignment affects “registered” capacity holding – cannot be negative.
 - ◆ Transfer affects capacity “entitlement” – can be negative.
 - ◆ UC rules added: No UC if neither assignee nor assignor have UC before assignment, otherwise commitment will also be assigned.

Main Changes Being Considered: Enduring Exit Period

- ◆ Exclusion to UC added (para 34)
 - ◆ Simultaneous increases and decreases to initialised quantities with effective date 1/10/12.
 - ◆ Facilitates change of Shipper at Supply Point
- ◆ Incremental obligated capacity (para 39)
 - ◆ Confirmation that if released, capacity above baseline will be permanently available even though baseline will be unchanged
- ◆ Clarification of the ad-hoc application criteria (paras 44-46).
 - ◆ 125% rules applies to all Shipper applications in aggregate – individual Shipper applications may be lower.
 - ◆ 10GWh/day rule applies to each individual Shipper application.
 - ◆ Minimum eligible amount applies to each tranche, for each individual Shipper, where application is for stepped increases.
- ◆ Unregistered “ARCA” capacity (para 65)
 - ◆ Reserved capacity that is not registered to a Shipper shall continue to be reserved until termination of the ARCA or commitment period.
 - ◆ Unregistered capacity will be made available as Daily capacity.

Main Changes Being Considered: Enduring Exit Period

- ◆ Reductions:
 - ◆ If a reduction request overlaps an increase request which requires Works and the demonstration information has not been satisfied,
 - ◆ then the reduction request will be rejected, irrespective of the notice period given (para 71), unless
 - ◆ it mirrors the increase application, in which case no UC will apply (para 74).
 - ◆ Relevant Design Costs added as new definition to align to pre-construction activities. Includes environmental, project tendering and planning cost.
 - ◆ User Commitment
 - ◆ The UC shall constitute the long-term signal required under the Licence for release of obligated incremental capacity (para 79).
 - ◆ Clarification of indicative price used to determine UC in event of ARCA and assignment (paras 83 & 91).
 - ◆ Use latest value for “over-lapping” increases, but for ARCA or assignment use the original (assignor’s or stated in ARCA) value.
 - ◆ Correction of error in determining Reservation Party commitment. Daily User Commitment Amount currently double counts any capacity registered to Users (para 89).

Consultation timetable

- ◆ *Anticipated* Consultation Timeline.
 - ◆ Consultation start date: 19th February 2010
 - ◆ Consultation closes: 19th March 2010
 - ◆ Submit proposals to Authority: 26th March 2010
 - ◆ Deadline for Authority veto: 26th May 2010.