

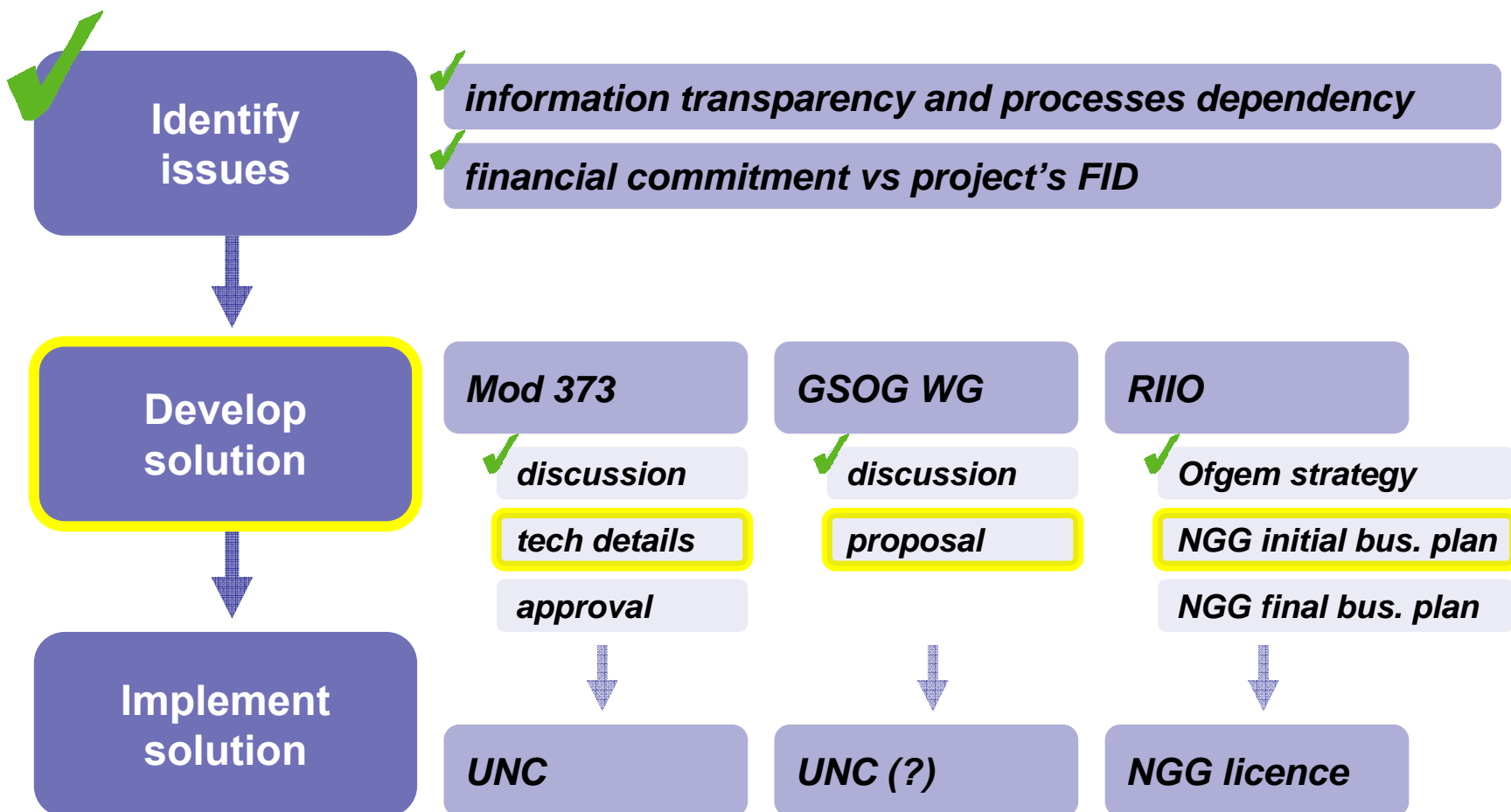
Gas Storage Operators Group on NTS Connections

UNC Transmission Workgroup

6th October 2011

- **Current status**
 - Current governance
 - New governance
- **Proposal**
 - Stages
- **Discussion**

Current status



Identified issues:

1. information transparency and processes dependency



- technical information to be released in advance
- interactions with 3rd parties processes
- ex-post cost transparency

2. financial commitment vs project's FID



- bearing planning costs before FID
- trigger revenues driver after FID
- symmetrical commitment
- sunk costs in case of user delays

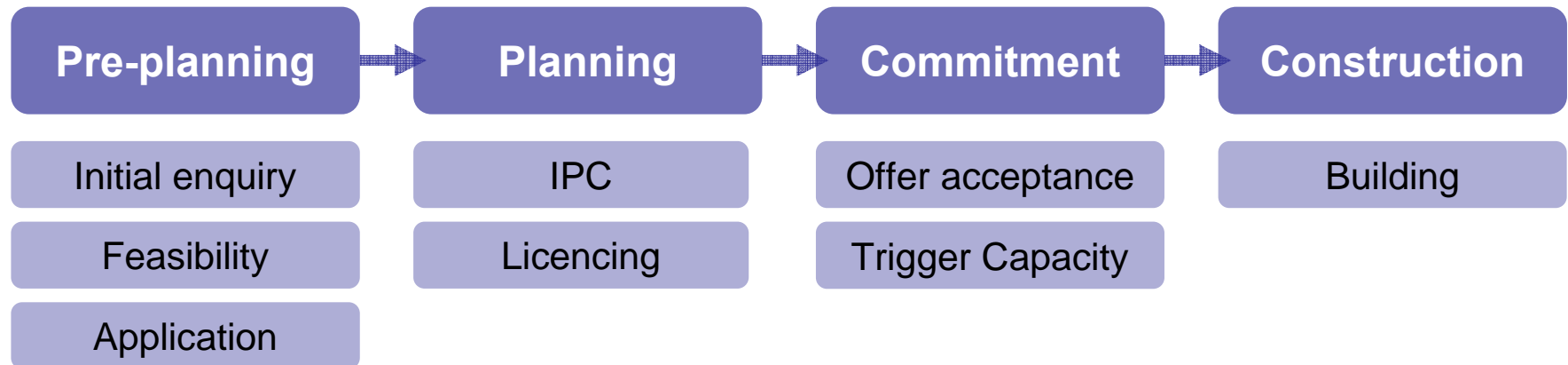


refer to GSOG timeline v2

Overall objective

Develop a single framework to deal with all aspects of the connection process

Staged approach



Overall connection lead-time \leq (planning + building facility)

Cost transparency

- ex-ante: applicants to take informed decisions
- ex-post: Ofgem to audit expenditures

Information disclosure

- from NGG: applicant to trigger third-parties processes
- from applicant: NGG to plan connection

Uncertainty mechanism

- Planning & Construction costs borne by developer
- Capacity application process as it is
- Revenue driver setting to be reviewed
 - after the planning phase
 - before user's formal acceptance

Liabilities

- NGG delays: capacity buy-back incentives
- User delays: cost-reflective (?)

Transitional arrangements

- Clarify position of connecting parties who already completed some stages

Multiple connections

- max efficiency investments vs timely connection

Pre-planning phase

- plan maximum physical flow from/to the connecting facility

Solution proposal - Stages

Pre-planning

DEVELOPER

Initial enquiry to NGG

DEVELOPER

Formal application to NGG

nationalgrid

Firm offer

DEVELOPER

Accept offer

Planning

nationalgrid

DEVELOPER

Trigger IPC application

nationalgrid

Trigger GT licence modification (0 baseline)

ofgem

Implement GT licence modification

DEVELOPER

Trigger seabed lease and licences

Solution proposal - Stages

Financial commitment



Release shipper/transporter licence



Release off-shore licence

DEVELOPER

Agreed seabed lease

DEVELOPER

Take FID

DEVELOPER

Apply for Entry/Exit Capacity

Construction

DEVELOPER

Negotiate land lease

nationalgrid

DEVELOPER

Build infrastructure

nationalgrid

DEVELOPER

Capacity Released

Connection built

Start operations

Q & A



MEETING IN PROGRESS

- possible issue arising when multiple connections requiring NTS reinforcement in the same area are notified to Grid in different points in time
- the need to maximise the efficiency of incremental asset investments should not undermine the right of each individual applicant to be connected timely and cost-effectively

