



WALES&WEST
UTILITIES



**0407 - Standardisation of notice periods for
offtake rate changes for all National Grid NTS Exit
Users : Impact of retaining existing 2 hour 5%
rule on investment in LDZs and on new
connectees to LDZs**

Offtake Arrangements Workgroup 12 December 2012

Impact of current OAD rules / Consequences of not changing rules / Impact of compliance

GDN assessment of current OAD rules, and ability for GDNs to comply

Differentiation between rules for any potential new LDZ connectees and those connecting directly to the NTS system

Assessment of costs to GDN to comply with existing OAD rules

Thirteen LDZs

- Ability for GDNs to comply based on normal domestic load movement accompanied by likely large sites load movements
 - Result – Ongoing non compliance in ALL 13 LDZ's since 2005
 - Despite non compliance, NTS have not rejected any GDN OPNs relating to this issue

Potential New LDZ Connectees

- Currently at least 4 known enquiries across GDNs showing strong interest in connecting to LDZ network (VLDMC size).
- No viable alternate route to NTS in at least one instance where site is at extremity of LDZ Network (LDZ or nothing)
- Issue! GDN cannot knowingly connect a site that would compound non-compliance. New connectee would not be satisfied with commercial constraints of the 2 hour 5% rule if mirrored in any new NExA.
- Consequence! New connectee either accept 2 / 5% in its NEXA or they pay cost of investing in required storage.
Note: NTS Flex cannot be used for this purpose as it is also bound by 2 / 5% notice periods therefore it would need to be physical storage in the LDZ
- New connectees awaiting 0407 outcome prior to further development with GDNs. Likely outcome that any enquiry will not proceed under current contractual rules in OAD

Assessment of Costs for GDN compliance

- The extreme LDZ Storage Deficit make the investment costs to avoid non compliance excessive and beyond any sensible assessment (and introduces a risk of stranded assets as the LDZ storage would not benefit other LDZs or customers)
- Required GDN Investment to comply with 2 hour 5% rule, based on cost of £1,000,000 per kilometre of pipe (for storage)
- GDN1
 - Storage shortfall 0.33mcm
 - Storage Investment £ 38.5M



Assessment of costs cont....

- GDN2
 - Storage shortfall 2.01mcm
 - Storage Investment £234.5M
- GDN3
 - Storage shortfall 0.53mcm
 - Storage Investment £61.9M
- GDN4 – tba



Assessment of costs cont.....

- Total GDN costs to be able to comply with OAD 2 hour 5% rule, whilst allowing existing sites to participate in (for example) Electricity Balancing market : for 3 of 4 GDNs = **£334.9M**
- **Further** investment would be required to allow any new large connectees to opt to connect to the LDZ's without being discriminated against by a far more onerous set of commercial/contractual terms than those existing for connectees to NTS