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Dear Julian

**Re : UNC Modification 0116V, 0116A, 0116BV, 0116CV and 0116VD – "Reform of the NTS Offtake Arrangements"**

Thank you for the opportunity to comment on these Modification Proposals.

We provide below a summary of our views on each proposal and our supporting rationale. The Appendix provides comments on the Draft Modification Report.

**Summary**

- National Grid NTS does not currently support the implementation of Modification Proposal 0116CV as we consider that certain features of the proposal require further development to allow implementation. However, in the event that such deficiencies were to be addressed, potentially by a variation to the proposal, then National Grid NTS considers that such a revised proposal could provide a pragmatic compromise between 0116V and 0116A to address weaknesses in the current arrangements.

- National Grid NTS supports the implementation of Modification Proposal 0116V if the Ofgem Impact Assessment demonstrates that the benefits of such reforms outweigh the costs. However National Grid NTS would potentially support a revised 0116CV proposal in preference to 0116V on the basis that this would avoid the complexity and costs of implementation and operation of the NTS Exit Flexibility Capacity elements of 0116V with potentially minimal deterioration in the overall benefits expected to be delivered by exit reform.

- National Grid NTS supports the implementation of Modification Proposal 0116A if the Ofgem Impact Assessment demonstrates that the benefits of 0116V do not outweigh the costs and our concerns in respect of the deficiencies of 0116CV are not overcome.

- National Grid NTS does not support the implementation of Modification Proposal 0116BV.

- National Grid NTS does not support the implementation of Modification Proposal 0116VD.

**Rationale**

UNC Modification Proposal 0116V

National Grid NTS put forward UNC Modification Proposal 0116V on the assumption that common capacity products must be implemented at all NTS Exit Points post Network Sales to satisfy its obligation to not unduly discriminate between Users of the gas transmission system. This assumption led to

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significant discussion as part of Ofgem's Enduring Offtake Working Group (EOWG) in respect of the appropriate form of capacity product that should be implemented to provide User's the opportunity to obtain rights to vary their offtake flow rates during a Gas Day. Such discussions led to the NTS Exit (Flexibility) Capacity product and associated annual auctions and daily release mechanisms to ration the allocation of such a product proposed under 0116V. We recognise, however, that many Users have expressed concern over the complexity and likely costs associated with this element of 0116V compared to the benefits that may be delivered, particularly if system capability is sufficient to accommodate user flow requirements in future years. In addition we note the recent draft proposal which has been put forward by National Grid Distribution to seek changes to the definition of the NTS Exit (Flexibility) Capacity products under 0116V.

We would therefore only support implementation of 0116V on the basis of a robust positive cost/benefit analysis. In the event that the costs associated with implementation of 0116V are demonstrated to not be warranted on the basis of benefits it may deliver through the forthcoming Ofgem Impact Assessment, we consider that it would be appropriate to consider implementation of one of the alternate proposals. Our views on the alternates are summarised below.

UNC Modification Proposal 0116BV

We note that 0116BV maintains the same type of capacity products and release mechanisms as put forward under 0116V and hence we have the same concerns regarding its implementation costs as for 0116V. Out of these two proposals, however, we believe that 0116V better facilitates the relevant objectives for the following key reasons:

- We note the proposed increase of the overrun tolerance from 1.5% under 0116V to 3%, which we do not support. This is on the basis that this would result in an increase in the amount of system capability that could be utilised by Users beyond the 22mcm national amount that National Grid NTS considers can be guaranteed under all reasonable supply/demand conditions e.g. on a 400mcm demand day the 3% tolerance would provide Users with an additional 4 mcm (2/3 of 400 * 1.5%) of NTS Exit (Flexibility) Capacity. We do not consider that overselling flexibility capacity would support the safe, efficient and economic operation of the system due to the limited time to undertake constraint management actions to ensure limitation of any within day linepack depletion and continue supplying end consumers. Such a proposal would therefore require a proportionate decrease of the national limit. We therefore do not consider that this proposed change adds any benefit compared to 0116V. In addition, we note that, although the 0116V proposal includes only a 1.5% tolerance to take into account any marginal metering inaccuracies at an NTS Exit Point due to measurements being undertaken over 16 as opposed to 24 hours, Users will also obtain benefits from aggregation of their offtake flows across zones.
- We note the proposed automatic reduction (i.e. sell back at zero price) of a User's flexibility rights through OPN reductions to seek to maximise the release of flexibility. We do not support this change on the basis that it may lead to a deterioration in the accuracy of OPNs as it removes a User's ability to maintain its holdings if it so desired. Under 0116V, in the event that a User desired to reduce its holdings, it would have choice over whether it wished to sell capacity back to National Grid NTS, or transfer capacity to other Users, at a competitive price. This would avoid any potential impacts on OPN accuracy.
- The proposed limitation of the NTS Exit (Flexibility) Capacity Overrun to Gas Days on which a Constraint Day has been declared by National Grid NTS is not supported. We consider that it is critical that Users are encouraged to book their desired amounts of capacity and maintain flows within such holdings to ensure the safe, efficient and economic operation of the NTS.
- We note that it is proposed that there is no commodity charge levied on Users for use of the system flexibility. In the event that the Ofgem Impact Assessment demonstrates that introduction of the NTS Exit (Flexibility) Capacity product is anticipated to deliver benefits that outweigh the associated costs, we consider that a flexibility commodity charge should be introduced to ensure we set the most cost-reflective charge possible as required under our charging methodology Licence objectives.

UNC Modification Proposal 0116DV

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We note that 0116DV maintains the same type of capacity products and release mechanisms as put forward under 0116V and hence we have the same concerns regarding its implementation costs as for 0116V. Out of these two proposals, however, we believe that 0116V better facilitates the relevant objectives for the following key reasons:

- As for 0116BV, we do not support the proposed increase of the overrun tolerance from 1.5% under 0116V to 3%.
- We note the proposed introduction of a new flex product referred to as "negative flexibility". We do not understand the rationale for the introduction of such a product which would only add to our concerns regarding the costs associated with the introduction of a flexibility product. In addition, the proposal is deficient of required details in respect of how such a product would be made available, allocated and charged to allow implementation.
- We note the proposed change of time for completion of inter-zonal flexibility capacity transfers from 12:00 to 14:00 day ahead, which we do not support. This is on the basis that this would represent increased uncertainty in respect of Users desired gas flows in each NTS Exit Zone and hence would adversely impact our operational scheduling of gas flows resulting in less efficient and economic operation of the NTS compared to 0116V.
- We note that it is proposed that the DNOs can request increases to its Assured Offtake Pressures in April as opposed to July to align with the proposed timescales for National Grid NTS requests and allow consideration ahead of the annual flex auctions. We consider that this could result in a conflict between National Grid NTS and DNO requests i.e. National Grid NTS request a permanent decrease in pressure at an NTS Exit Point and at the same time the DNO requests a permanent increase. Instead we consider that a more beneficial solution would be to potentially move the timescales for the annual flex auctions from July to Sept maintaining the current timescales for DN pressure applications.
- We note that the relief afforded to National Grid NTS under 0116V to "failure to make gas available" liabilities in the event that this has been caused by Users overrunning at other Exit Points is not included. The Proposer argues that this is to avoid removing incentives on National Grid NTS to appropriately manage such failures. We do not agree with such a proposal as we are obliged under Licence, regardless of such incentives, to manage the NTS in an efficient and economic manner. In addition, we do not consider it appropriate for National Grid NTS to incur costs as a result of Users overrunning their capacity entitlements.

UNC Modification Proposal 0116CV

We recognise that 0116CV seeks to avoid the implementation and operational costs imposed by the introduction of a flexibility capacity product to NTS Supply Points and NTS CSEPs and associated processes to ration and allocate system flexibility between all NTS Exit Users, while maintaining common arrangements for the NTS Exit (Flat) Capacity (as proposed under 0116V, 0116BV and 0116VD). Hence, in principle, we consider that 0116CV may better facilitate the relevant objectives compared to 0116V.

However, we consider that there are several areas of this proposal that require further development before it is sufficiently developed to allow implementation, were it to be approved. In particular, we note that:

- the proposed NTS Exit (Flat) Capacity product, as written in the proposal, does not allow shippers the ability to obtain any rights to vary their offtake flow rates during a Gas Day. However, we are concerned that the Proposer of 0116CV explained at the October Transmission Workstream that the "spirit" of the proposal was that shippers would continue to hold their current form of capacity product, inferring that rights to vary flows would continue. We suggest that this point is formally clarified by the Proposer.
- linked with the above point, 0116CV suggests that National Grid NTS would be able to reject OPNs provided by shippers within an NTS Exit Zone if there was insufficient system flexibility (again implying shippers have no rights to vary their flows), but would still be required to allow DNs access

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to previously purchased NTS Exit (Flexibility) Capacity. Further work is required to consider appropriate limitations on the amount of NTS Exit (Flexibility) Capacity that can be obtained by DNs, presumably through the current OPN application process, to avoid the full amount of available system flexibility being requested and allocated to DNs ahead of the Gas Year.

- the proposal outlines issues with the 0116V proposal in respect of the lack of ability for Users to request and obtain the delivery of capacity beyond set timescales. Although solutions are suggested, we do not consider that 0116CV contains the necessary details to allow implementation. National Grid NTS noted these timescale constraints in 0116V, where it was explained that it was National Grid NTS intention to bring forward further proposals to address such issues, consistent with Ofgem's final proposals for the TPCR, if accepted by National Grid.
- the proposal maintains the within day flow reduction tool, but as the NTS Exit (Flexibility) product has been amended, further work is required to ensure that Users have an appropriate incentive to respond to such constraint management actions.

UNC Modification Proposal 0116A

We consider that there are many features of the current arrangements which do warrant reform as soon as possible. This includes:

- implementation of the User Commitment principle, and obligations to release capacity and associated liabilities for late delivery of new investments, proposed by Ofgem as part of the Transmission Price Control Review;
- providing the opportunity for DN and Shipper Users to request and be allocated NTS Exit (Flat) Capacity under common registration mechanisms;
- improvement in the constraint management tools available to National Grid NTS.

In principle, we therefore do not consider the current arrangements to be sustainable. However, based on the proposals included within this consultation, in the event that 0116CV is not appropriately varied or 0116V is demonstrated to not result in a positive cost/benefit, then 0116A should be implemented.

**Conclusions**

We consider that, based on the proposals included within this consultation and on the assumption that a common NTS Exit (Flexibility) Capacity product and associated release mechanisms is likely to make the costs of 0116V exceed its benefits, we consider that 0116A which proposes maintaining the current transitional arrangements to better facilitate the relevant objectives compared to the other proposals at this stage. However, we consider that there are many features of the current arrangements which do warrant reform as soon as possible. Many of such changes are incorporated in the 0116CV proposal - we would therefore encourage the Proposer of 0116CV to raise a variation request to their proposal to provide the necessary clarifications and additional detail to allow the Authority the opportunity to consider implementation of such a revised proposal.

We recognise that implementation of a varied 0116CV proposal may not resolve all of the issues associated with release of within day system capability or limitation of excessive flow rate variations. We consider that resolution of such issues requires a holistic review of the commercial arrangements associated with the gas transmission system, and in particular the cost/benefits of introducing within day allocations into the regime and potential enhancements this may deliver to the energy balancing and transmission access regimes. In addition, we consider that debate is required in respect of the alignment of such arrangements with those expected to be in place in continental Europe to ensure that the GB arrangements are consistent with the ambition for liberalisation of the European market.

Please contact me if you require any further information.

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Yours sincerely,

Paul Roberts
Gas Access and Charging Manager

**Appendix. Comments on the Draft Modification Report**

**2. Extent to which implementation of the proposed modifications would better facilitate the relevant objectives**

**1(a) the efficient and economical operation of the pipeline system**

- National Grid NTS believes that the implementation of Modification Proposal 0116V, 0116BV, 0116CV or 0116VD would better facilitate the efficient and economic operation of the pipe-line system as it would enable Users to register using a common process their NTS Exit (Flat) Capacity requirements up to 6 years in advance. This would allow National Grid NTS to take better informed investment decisions. It is noted that under 0116A Shippers would not have the ability to provide such signals through the UNC arrangements as Shippers are only able to request increases in capacity requirements 6 months in advance of use.
- Both Modification Proposal 0116A and 0116CV do not afford all Users the opportunity to provide to National Grid NTS information in respect of their NTS Exit (Flexibility) Capacity requirements. This would reduce the amount of information that National Grid NTS has available compared to proposals 0116V, 0116BV or 0116VD to efficiently and economically operate the NTS. However, the costs of implementing and operating the NTS Exit (Flexibility) Capacity elements of proposal 0116V, 0116BV or 0116VD are likely to exceed the tangible benefits of introducing common arrangements in respect of release of within day system flexibility.
- National Grid NTS believes that 0116V would better facilitate the efficient and economic operation of the NTS above 0116BV. This is on the basis that 0116BV would provide a weaker incentive for Users to flow within their NTS Exit (Flexibility) Capacity holdings compared to 0116V due to the proposed differences in the overrun arrangements. In addition, we consider that the proposed automatic reduction of flexibility rights via the OPN process is likely to lead to Users maintaining the level of their OPNs to ensure they maintain their flexibility levels for potential changes later in the Gas Day. This would lead to a deterioration in the accuracy of User OPN submissions resulting in potentially inefficient system management actions.
- National Grid NTS believes that 0116V would better facilitate the efficient and economic operation of the NTS above 0116VD. This is on the basis that 0116VD proposes the introduction of an additional capacity product, requiring additional operational costs, without any explanation of the likely benefits.
- Modification Proposal 0116V proposes the introduction of a charge for use of within day system flexibility. Although National Grid NTS recognises the difficulties in accurately targeting such costs, it considers that, were it to be appropriate to introduce the flexibility product element of 0116V, that seeking to target such costs would better facilitate the efficient and economic operation of the NTS.

**1(b) so far as is consistent with (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/or (ii) the pipe-line system of one or more other relevant gas transporter(s)**

- All the Modification Proposals 0116V, 0116A, 0116BV, 0116CV and 0116VD would enable National Grid NTS and DNO Users to formally confirm NTS Exit Capacity levels to support their respective investment decisions beyond September 2010 and thereby better facilitate the co-ordinated, efficient and economic operation of the combined pipe-line system.
- In addition, Modification Proposals 0116V, 0116BV, 0116CV and 0116VD should enable National Grid NTS to better respond to its Exit Capacity incentive by optimising the provision of Exit Capacity at times of high demand by efficiently trading off pipeline investment against buyback contracts, thus enabling National Grid NTS to operate the pipeline system in a co-ordinated, efficient and economical manner.

**1(c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence**

- National Grid NTS believes that implementation of Modification Proposal 0116V, 0116BV, 0116CV or 0116DV would further National Grid NTS's GT Licence obligation standard special condition A6 by ensuring its transportation business is conducted in manner to avoid unfair or unduly discriminatory arrangements. It is noted that 0116CV would only result in consistent arrangements for NTS Exit (Flat) Capacity, but National Grid NTS considers that this would better facilitate achievement of special condition A6 compared to the current arrangements.
- National Grid NTS notes that Modification Proposal 0116A does not seek to introduce common capacity products at NTS Exit Points. Shippers would therefore continue to only be able to request and be allocated exit capacity requirements within 6 months of capacity use via the UNC. Instead, Shippers would need to consider execution of Advanced Reservation of Capacity Agreements to secure capacity, however this is only currently undertaken where NTS investment is required. Although the Proposer of 0116A argues that it is not unduly discriminatory to have different arrangements for different classes of exit user, supported by legal views obtained from counsel, the lack of opportunity for Shipper Users to register NTS Exit (Flat) Capacity in the same timescales as DN Users is unsustainable.

**1(d) so far as is consistent with sub-paragraphs (a) to (c), the securing of effective competition:**
**(i) between relevant shippers**
**(ii) between relevant suppliers; and or**
**(iii) between DN operators (who have entered into transportation arrangements with relevant Gas Transporters) and relevant Shippers**

- Modification Proposals 0116V, 0116BV and 0116VD offer NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity to all Users on a non-discriminatory basis and allows Users to better reflect the value placed on Firm NTS Exit Capacity and the costs of constraint management. Modification Proposal 0116CV provides such benefits for NTS Exit (Flat) Capacity only.
- Modification Proposals 0116V, 0116BV and 0116VD facilitate competition between relevant shippers and Distribution Network Operators (DNO's) for both NTS Exit (Flat) and (Flexibility) products where the products are constrained via the use of auctions. This is the case for 0116CV for NTS Exit (Flat) Capacity. However, 0116A does not include any mechanisms to secure effective competition between Users where the availability of products are constrained.

**3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

- National Grid NTS believes that Modification Proposals 0116V, 0116BV, 0116CV and 0116VD provide National Grid NTS with a wider range of improved system management tools.
- Modification Proposals 0116V, 0116BV and 0116VD also provide a regime which limits the utilisation of within day linepack variations to within expected system capability. This will help mitigate the risk of entering a Network Gas Supply Emergency.
- National Grid NTS recognises that the concept of NTS interruptible load has been removed and that Stages 2 and 3 of a Network Gas Supply Emergency may be reached at an earlier stage but it believes that the additional commercial tools will help replace the effect of National Grid NTS interrupting directly.

**4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including**

**a) implications for operation of the System:**

National Grid NTS believe that Modification Proposal 0116V, 0116BV, 0116CV and 0116VD would provide a wider range of system management tools to better manage any transportation constraints.

**b) development and capital cost and operating cost implications:**

National Grid has taken an initial view on the systems and ongoing operational costs for each Modification Proposal. These have been captured as part of National Grid NTS's response to Ofgem's cost surveys on the potential new arrangements and have been revised in accordance with the variations to the Modification Proposals.

**c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

The majority of costs incurred by National Grid NTS as a result of implementation of any of the Modification Proposals are deemed to be in accordance with Network Sales requirements and as such are not intended to be recovered from Users.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

National Grid NTS consider that changes to National Grid NTS's Gas Transmission Transportation Charging Methodology Statement and DNO's Gas Distribution Charging Methodology Statements would be required as part of the changes to the NTS Exit regime for Modification Proposals 0116V, 0116BV, 0116CV and 0116VD. National Grid NTS has consulted on its initial views in respect of proposed changes to its charging methodology in the event that 0116V is implemented.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

- National Grid NTS will consider any contractual risk of the Modification Proposals as part of its Transmission Price Control Review in which its obligations and incentives in respect of NTS Exit Capacity will be agreed.
- National Grid NTS would like to take this opportunity to re-iterate that the level of risk for each DN Transporter will be dependant on the outcome of its DN incentive arrangements.

**6. The high level indication of the area of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

- In the event of implementation of 0116V, 0116BV, 0116CV or 0116VD, there will be significant changes to the UK Link systems as described on a generic basis below. For more detailed analysis see both National Grid NTS's and Agency responses to Ofgem's cost survey.
- National Grid NTS believes, based on provisional discussions with the Agency, that the current IS infrastructure and Gemini system will be utilised (with changes) to facilitate the registration of NTS Exit (Flat and Flexibility) Capacity. The Gemini system will facilitate;
    - National Grid NTS setting up the appropriate applications/auctions, associated parameters and displaying the appropriate information to Users.
    - User's being able to place bids / offers, applications and reductions.
    - National Grid NTS being able to process and allocate / approve the bids / offers, applications and reductions.
    - User's being able to see their allocated bids, registered holdings and view aggregated information.
    - Management of credit sanctions, Transfers and Assignments, NTS Exit neutrality and billing (including the calculation of Overrun charges).
    - Gemini will not manage the OPN/IOPN process for NTS Exit (Flexibility) Capacity but any changes in User's holdings as a result of this process will need to be reflected in Gemini.
- The Gemini system will need to be modified to facilitate the new NTS Exit Capacity processes and these costs (for each Modification Proposal including variations) will be included as part of National Grid NTS's cost survey response and separately in the Agency's cost survey response.

- IGMS will need to be changed to incorporate the new IOPN process.
- National Grid NTS will need to make changes to the National Grid web-site to enable publication of NTS Exit information to all interested parties (i.e. publicly available information).
- National Grid NTS will need to develop and enhance internal operational management tools and associated internal Management Information Systems.

**7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

National Grid NTS will be detailing the administrative and operational costs as part of its response to Ofgem's Cost survey on the potential new arrangements for all Modification Proposals.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and any Non Code Party**

No comment

**9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

As part of the Draft Modification Report a concern was raised that Modification Proposal 0116V removes the current NTS Exit Capacity certification process (at Interconnectors), this could cause hoarding, therefore adversely affecting security of supply. National Grid NTS do not believe this to be the case as there will be a "Use It or Lose It" provision to release NTS Exit Interruptible (Flat) Capacity; in addition the NTS Exit (Flat) Capacity is calculated at the NTS Exit Point. It would therefore not be in any User's interests to hoard NTS Exit (Flat) Capacity at these, or any other, NTS Exit Points. Although there is no use it or lose it provision associated to NTS Exit (Flexibility) Capacity there would still have to be an NTS Exit (Flexibility) Capacity Overrun at the NTS Exit Zone before any User incurred such an overrun charge. It is therefore National Grid NTS's opinion that the Modification Proposal acts as a disincentive on Users to hoard either NTS Exit (Flat) or (Flexibility) Capacity.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

<u>Modification Proposals 0116V, 0116BV and 0116VD</u>

- Provide all Users (Shippers and DNO Users) with the ability to:
  - Obtain the same type of capacity products in the same capacity registration processes for capacity utilisation over the same periods and thereby avoid scope for unfair or unduly discriminatory arrangements;
  - Signal their long term Capacity requirements over a number of years, backed by a financial commitment, to support efficient and economic investment planning in both the NTS and any NTS Exit Point;
  - Place their value on NTS Exit Capacity and the costs of constraint management;
  - Provide certainty to Users by confirming holdings well in advance of gas flow.
  - Better co-ordinate their project planning, development and construction with that of National Grid NTS's for new prevailing NTS Exit (Flat) Capacity.
- Provide National Grid NTS with a range of system management tools to better manage the NTS in a safe, economic and efficient manner.
- Provides Users with aggregated information in respect of Capacity applications and bookings to better inform User intentions in respect of future use of the NTS.
- Provides a better 'fit' of NTS Exit Capacity arrangements under a divested industry structure that exists following the sale of a number of Distribution Networks in 2005.

Modification Proposal 0116CV

- This Proposal provides all of the advantages detailed above for only NTS Exit (Flat) Capacity.

Modification Proposal 0116A

- Simplest option with minimal impact on Users.
- The continuation of interruptible site status will mean that it will be less likely that National Grid NTS enters a Stage 2 emergency.

**Disadvantages**

Modification Proposals 0116V

- Introduces complex systems and processes into the regime.
- Increases costs for Users.
- Potential impact on electricity balancing since CCGT's may be discouraged from operating flexibly

Modification Proposal 0116A

- Does not afford all Users the same opportunities and mechanisms to register NTS Exit Capacity.
- Shipper Users are unable to signal their long term requirements via UNC backed by financial commitment.
- No additional constraint management tools.
- No additional information provided to Users.

Modification Proposal 0116BV

- Introduces complex systems and processes into the regime.
- Increases costs for Users.
- Potential impact on electricity balancing since CCGT's may be discouraged from operating flexibly
- Potential deterioration in accuracy of OPNs if Users surrender their flexibility holdings.
- Weak incentive for Users to book and flow within their flexibility capacity holdings.

Modification Proposal 0116CV

- Introduces complex systems and processes into the regime, but not as much as required under 0116V, 0116BV and 0116DV.
- Increases costs for Users, but not as much as required under 0116V, 0116BV and 0116DV.
- Lack of opportunity for shippers to obtain rights to vary their offtake flows.

Modification Proposal 0116VD

- Introduces complex systems and processes into the regime.
- Increases costs for Users.
- Potential impact on electricity balancing since CCGT's may be discouraged from operating flexibly
- The introduction of a negative flexibility product increases regime complexity.

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 of the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

No comment.

**14. Programme for works required as a consequence of implementing the Modification Proposal**

No programme of works has been provided as both National Grid NTS and the Agency will be unable to finalise a programme until a decision is made by the Authority on these Proposals. However, National Grid NTS believes that the system changes as a result of implementation of Modification Proposals 0116V, 0116VB, 0116VC and 0116VD will result in significant systems costs. Indicative costs will be provided by both National Grid NTS and the Agency as part of their responses to Ofgem's cost survey.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

The proposed transitional timetable in respect of systems development is attached in Table 2 of Modification 0116V.

**19. Legal Text**

No comment.