

Capacity and Connection – Compare and Contrast (working document)

Notes:

This working document only refers to the long term Capacity processes related to Incremental Capacity release i.e. shorter term auctions / applications are not included.

The options below are those previously discussed through the Transmission Workgroup and Transmission Issues Workgroup and as such the detail behind each option is not included here but can be found on the JO website.

	Status Quo	PARCA	Split Auction with PCA
Default Lead time for Incremental release (licence defined)	<ul style="list-style-type: none"> • 42 months (Entry) • 36 months (Exit - from the following October) 	<ul style="list-style-type: none"> • 24 months (to cover build period) from October following allocation of Capacity 	<ul style="list-style-type: none"> • As per PARCA
Ability to vary lead times?	<ul style="list-style-type: none"> • Permit allowance 	<ul style="list-style-type: none"> • Capacity delivery incentive Note: this is based upon National Grid NTS's business plan submission and will be determined through RIIO. 	<ul style="list-style-type: none"> • As per PARCA
Firm Capacity product	<ul style="list-style-type: none"> • Quarterly Entry Capacity • Evergreen Enduring Exit Capacity 	<ul style="list-style-type: none"> • As per status quo 	<ul style="list-style-type: none"> • As per status quo
Incremental Entry Capacity availability	<ul style="list-style-type: none"> • March QSEC • Ad-hoc QSEC auction (new ASEPs only) 	<ul style="list-style-type: none"> • Reserved by and allocated to Users associated to PARCA • Incremental Entry Capacity is only guaranteed where a PARCA has been agreed and such Capacity is exclusive to the PARCA signatory (or counter party as the case may be) • Can be reserved through the PARCA by developers (and 	<ul style="list-style-type: none"> • Exclusively available to "PCA Users" through ad-hoc QSEC auction only • Ad-hoc QSEC amended to incorporate "PCA Users" • Ad-hoc QSEC applies to both existing and new ASEPs • Open communication / information to industry where a PCA has been / likely to be agreed to allow

		<p>subsequently “allocated” to User(s))</p> <ul style="list-style-type: none"> • May also be available to all Users outside of the PARCA process through the March QSEC only (i.e. Ad-hoc QSEC will not make Incremental Capacity available) but availability is not guaranteed • Open communication / information to industry where a PARCA has been / likely to be agreed to allow additional PARCA requests and the opportunity for unsold to be purchased. 	<p>additional PCA requests and the opportunity for unsold to be purchased.</p>
NPV test (Entry Capacity)	<ul style="list-style-type: none"> • Applies to Capacity in excess of available unsold levels that is signalled through both the March and ad-hoc QSEC • 50% of estimated project value measured over 32 consecutive quarters 	<ul style="list-style-type: none"> • As per status quo except • Not applicable to the ad-hoc QSEC which makes unsold only available through an open season type process. • NPV to be applied to Incremental Entry Capacity signalled through the PARCA 	<ul style="list-style-type: none"> • As per status quo
Incremental Exit Capacity availability	<ul style="list-style-type: none"> • Available through the July application window • Available through the ad-hoc Exit application processes • May also be reserved by developers through the ARCA (and subsequently allocated to a User) 	<ul style="list-style-type: none"> • Reserved by and allocated to Users associated to PARCA • Incremental Exit Capacity is only guaranteed where a PARCA has been agreed and such Capacity is exclusive to the PARCA signatory (or counter party as the case may be) • Can be reserved through the PARCA by developers (and subsequently “allocated” to 	<ul style="list-style-type: none"> • Made available to "PCA Users" through ad-hoc Exit application process only (exclusive to the PCA Users) • Where a PCA has been agreed with a developer, Exit Incremental may also be reserved by that developer through ARCA provisions The associated User would then apply for the Capacity through the ad-hoc Exit application

		<p>User(s))</p> <ul style="list-style-type: none"> • May also be available to all Users outside of the PARCA process through the July window and Ad-hoc Exit processes but availability is not guaranteed • Open communication / information to industry where a PARCA has been / likely to be agreed to allow additional PARCA requests and the opportunity for unsold to be purchased. 	<p>process</p> <ul style="list-style-type: none"> • Open communication / information to industry where a PCA has been / likely to be agreed to allow additional PCA requests and the opportunity for unsold to be purchased.
Exclusive rights to Capacity?	<ul style="list-style-type: none"> • Possible through the ARCA process (developers only) for Enduring Exit Capacity product. • No exclusive rights for Entry capacity 	<ul style="list-style-type: none"> • The PARCA exclusively reserves and, subject to the PARCA, subsequently allocates that Capacity (including any unsold or substituted Capacity) to the PARCA signatory / counter party(s) 	<p>As per PARCA (but through a PCA) except:</p> <ul style="list-style-type: none"> • Excludes unsold and substituted Capacity (this is bid for / applied for by the PCA User through the March QSEC / Exit application processes) • Incremental Capacity is not allocated through the PCA, but through an ad-hoc process exclusive to the PCA User
Unsold Entry Capacity availability	<ul style="list-style-type: none"> • March QSEC 	<ul style="list-style-type: none"> • March QSEC • Ad-hoc QSEC through open season type process (referred to later) • Can be reserved through the PARCA by developers and Users 	<ul style="list-style-type: none"> • As per status quo
Unsold Exit Capacity availability	<ul style="list-style-type: none"> • July Enduring window • Ad-hoc Exit application processes • Can be reserved through ARCA 	<p>As per status quo and in addition:</p> <ul style="list-style-type: none"> • Can be reserved through PARCA by developers and Users 	<ul style="list-style-type: none"> • As per status quo • Not available through the specific PCA User ad-hoc process.

	by developers (and subsequent allocation to a User)	<ul style="list-style-type: none"> Also available through the ad-hoc Exit application as an open season type process (by invitation) 	
Non-Obligated Capacity availability	<ul style="list-style-type: none"> Entry Capacity only May be released through March and ad-hoc QSEC only 	<ul style="list-style-type: none"> Non-obligated Exit Capacity may be released through the July and ad-hoc Exit processes Non-obligated Entry Capacity will not be released through the ad-hoc QSEC process but may be released through the March QSEC 	<ul style="list-style-type: none"> As per PARCA
Reservation of Capacity	<ul style="list-style-type: none"> No reservation of Entry Capacity is possible ARCA allows the reservation of firm Exit Capacity for developers only. This could be unsold only, Incremental only or unsold and Incremental Exit Capacity 	<ul style="list-style-type: none"> Reservation of both Entry and Exit Capacity is possible through the PARCA for both Users and developers Reservation is possible for unsold only, Incremental only or both unsold and Incremental (pending substitution) 	<ul style="list-style-type: none"> As per status quo
User commitment – Entry	<ul style="list-style-type: none"> Once allocated through the QSEC auction (subject to NPV) the User is financially committed to Capacity bid for through the auctions upon allocation 	<ul style="list-style-type: none"> Allocated Quarterly Entry Capacity bids (subject to NPV) PARCA allows progression through stages Capacity reserved through the PARCA would be committed to through the PARCA stages. Once all relevant PARCA stages have been progressed and the Capacity is allocated, then the capacity is fully committed to Demonstration date information provided through the PARCA Where demonstration information is not provided (by either the 	<ul style="list-style-type: none"> Allocated Quarterly Entry Capacity bids (subject to NPV) PCA allows progression through stages Capacity initially signalled through the PCA would be committed to through the PCA stages. Once all relevant PCA stages have been progressed the Capacity is fully committed to through an ad-hoc QSEC process. Demonstration date information provided through the PCA Where demonstration information is not provided (by either the PCA

		<p>PARCA signatory or National Grid NTS) the PARCA may not progress and may result in reserved Capacity being released back to the market</p> <ul style="list-style-type: none"> • Staged financial commitment to planning / pre works activities also through PARCA • PARCA signatory may choose not to progress to next stage and may result in reserved Capacity being released back to the market • Once all necessary stages have been progressed through, no break out normally permitted 	<p>signatory or National Grid NTS) the PCA may not progress</p> <ul style="list-style-type: none"> • Staged financial commitment to planning / pre works activities also through PCA • PCA signatory may choose not to progress to next stage • Once all necessary PCA stages have been progressed through, no break out normally permitted • For Capacity initially signalled through the PCA the Capacity is fully committed to through an exclusive ad-hoc process
<p>User commitment - Exit</p>	<ul style="list-style-type: none"> • 4 years based on indicative prices at time of allocation. Indicative versus actual price may allow User Commitment to be less than 4 years • ARCA and ad-hoc Exit process may require demonstration information. If this is not provided then National Grid NTS have the option to not progress the Capacity release. 	<p>As per “User commitment – Entry” above and status quo. Additionally:</p> <ul style="list-style-type: none"> • Up to 4 years based on indicative prices provided through the PARCA • Capacity reserved through the PARCA would be committed to through the PARCA stages. Once all relevant PARCA stages have been progressed the Capacity is fully committed to (note: PARCA replaces the ARCA) • Demonstration date information also provided through the PARCA • Staged financial commitment to planning / pre works activities also through PARCA 	<p>As per “User commitment – Entry” above and status quo. Additionally:</p> <ul style="list-style-type: none"> • 4 years commitment calculated upon allocation through ad-hoc application process

Credit rules	<ul style="list-style-type: none"> • As per UNC 	<ul style="list-style-type: none"> • T.B.D 	<ul style="list-style-type: none"> • T.B.D
Capacity Pricing	<ul style="list-style-type: none"> • Entry / Exit Capacity pricing based on long run marginal cost methodology 	<ul style="list-style-type: none"> • As per status quo 	<ul style="list-style-type: none"> • As per status quo
Substitution	<ul style="list-style-type: none"> • Entry substitution possible through the March and ad-hoc QSEC • Entry Capacity retainers • Exit substitution possible through the ARCA, Enduring July and ad-hoc processes 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Entry Substitution not possible through the ad-hoc QSEC (which is utilised for an open season type process for unsold capacity only) • Entry and Exit Substitution possible through the PARCA (i.e. unsold Capacity reserved and substituted) 	<p>As per PARCA except:</p> <ul style="list-style-type: none"> • Entry / Exit Substitution is not available through the PCA • Any Entry substitution identified through the PCA process is bid for through the March QSEC • Any Exit substitution identified is applied for through the July / and ad-hoc Exit processes (excludes PCA User exclusive ad-hoc process)
March QSEC	<ul style="list-style-type: none"> • Unsold, non-obligated and Incremental Capacity made available • For new & existing ASEPs only • Substitution possible • NPV test applied • Clearing price auction 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Incremental Capacity release not guaranteed 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • No Incremental Entry Capacity release
Ad-hoc QSEC	<ul style="list-style-type: none"> • For new ASEPs only • Substitution possible • Non-obligated release possible • Incremental Capacity available • NPV test applied • Clearing price auction 	<ul style="list-style-type: none"> • Exclusively Used for Open Season type process • Through invitation only • Allows market opportunity to bid / apply for Unsold Entry Capacity only ahead of potential reservation through a PARCA • Only those existing ASEPs where unsold Capacity could potentially be reserved through the PARCA would be included • No NPV test as no Incremental release 	<ul style="list-style-type: none"> • Exclusive to PCA Users • Auction date agreed through PCA • Utilised to allow PCA Users to apply for the Incremental Entry Capacity only initially agreed to through the PCA • Clearing price process • NPV test applied • No substitution

		<ul style="list-style-type: none"> • Clearing price auction • No substitution 	
Ad-hoc Enduring Exit	<ul style="list-style-type: none"> • Administered price • M+6 to Y+6 • Users may apply from the 1st of any month within M+6 and Y+6 • Unsold and Incremental Exit Capacity available to apply for • Substitution possible 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Non-obligated release possible • May be utilised for open season process (by invitation only) - to allow market opportunity apply for unsold Exit Capacity ahead of potential reservation for PARCA or, through ad-hoc reductions, make available Capacity that could be reserved for the PARCA 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Non-obligated release possible • Incremental Capacity release restricted to PCA Users only (through individual ad-hoc application)
Enduring Exit - July window	<ul style="list-style-type: none"> • Unsold and Incremental Exit Capacity available on an enduring basis (Incremental release subject to ExCR) • Substitution possible • Administered price 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Non-obligated release possible • No guaranteed Incremental release 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Non-obligated release possible • No Incremental release
OCS / OPS process and DN adjustment window	<ul style="list-style-type: none"> • Flex and pressure agreed through the July process and DN adjustment window to adjust flat requirements accordingly 	<p>As per status quo except:</p> <ul style="list-style-type: none"> • Needs to take into account flex and pressure associated to Incremental Capacity reserved through the PARCA by a DN (ie flex and pressure agreed through PARCA should be reflected in the relevant July OCS/OPS process) 	<ul style="list-style-type: none"> • As per PARCA
Information transparency		<ul style="list-style-type: none"> • Propose to publish progress against planning activities 	<ul style="list-style-type: none"> • As per PARCA