

Exit Reform

Transitional arrangements

History of interruptible arrangements

- British Gas rule
 - Site must have an alternative source of fuel
- Ofgas ruling
 - Existing BG rule was discriminatory
- Sites changed status
 - Little/no risk of interruption

History of firm to interruptible switching

- | • Year | Firm to Int. |
|--------|--------------|
| • 1994 | 7 |
| • 1995 | 43 |
| • 1996 | 96 |
| • 1997 | 203 |
| • 1998 | 83 |
| • 1999 | 53 |
| • 2000 | 37 |
| • 2001 | 20 |
| • 2002 | 19 |
| • 2003 | 6 |
- 2003 total interruptible sites - 1565

Current rules

- The consumer can choose to be firm or interruptible
- Sites can request firm
- After capacity is allocated they can switch to interruptible

Types of Freeloaders

- Intentional
- Unintentional
 - Transco investment
 - Site closures

Proposed new arrangements

- The choice of a sites status should be with the Transporter to prevent freeloading
- Will lead to stranded assets
- Could lead to a legal challenge from companies who have made investment decisions based on the original rules

Transitional arrangements

- There are two categories of consumer that need to be considered
 - Those without standby fuel and equipment
 - Those with standby fuel and equipment

Proposal for sites WITHOUT standby fuel and equipment

- Status of site changed after a short number of years (minimum two) to allow for re-budgeting and to agree new supply contracts.

Proposal for sites WITH standby fuel and equipment

- Four possible alternatives: -
 1. Grandfather rights
 2. 'X' years of continued interruptible rebate
 3. Buy out agreed between each individual site and the Transporter based on actual cost of stranded assets
 4. Phased reduction of rebate over a considerable number of years