

Offtake Arrangements RIA

Commercial Interfaces Working Group
16 June 2004

Outline of presentation

- Key issues
- Allocation of NTS exit capacity
- Diurnal storage & operational flows
- Business separation
- Way forward

Outline of presentation

- **Key issues**
- Allocation of NTS exit capacity
- Diurnal storage & operational flows
- Business separation
- Way forward

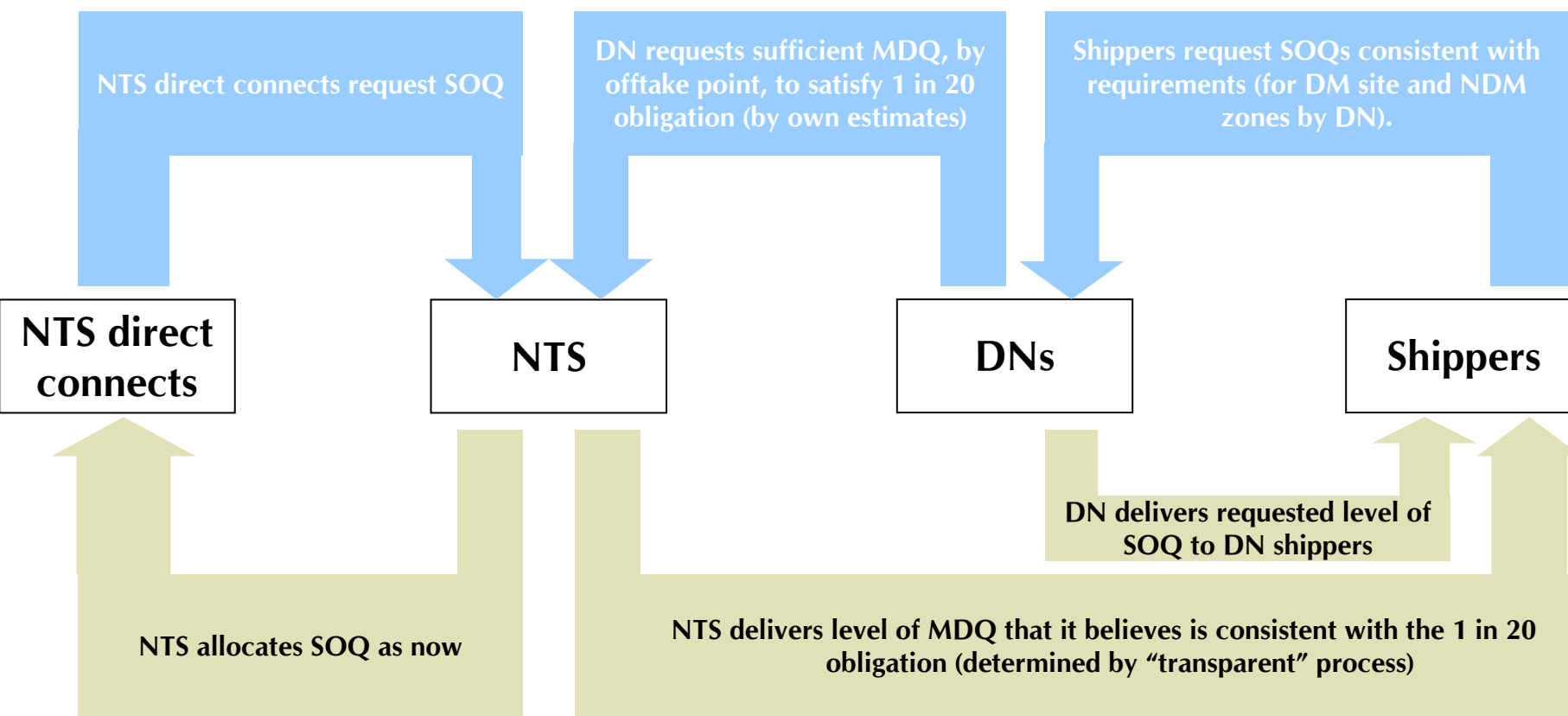
Key issues

- No undue discrimination
 - between networks
 - between NTS offtake points
- Economic & efficient network operation & development
- Security of supply
- Effect on competition
- Accountability & regulatory involvement

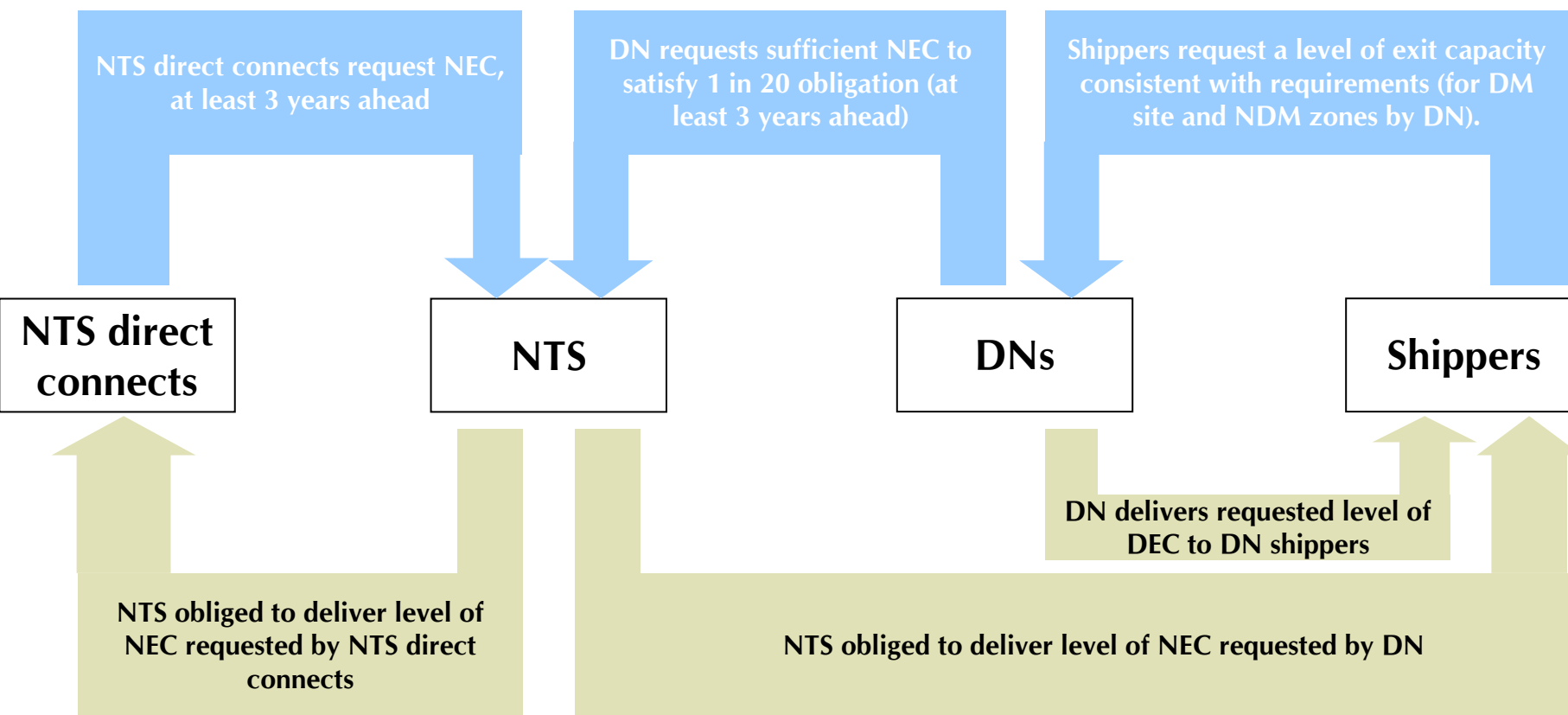
Outline of presentation

- Key issues
- **Allocation of NTS exit capacity**
- Diurnal storage & operational flows
- Business separation
- Way forward

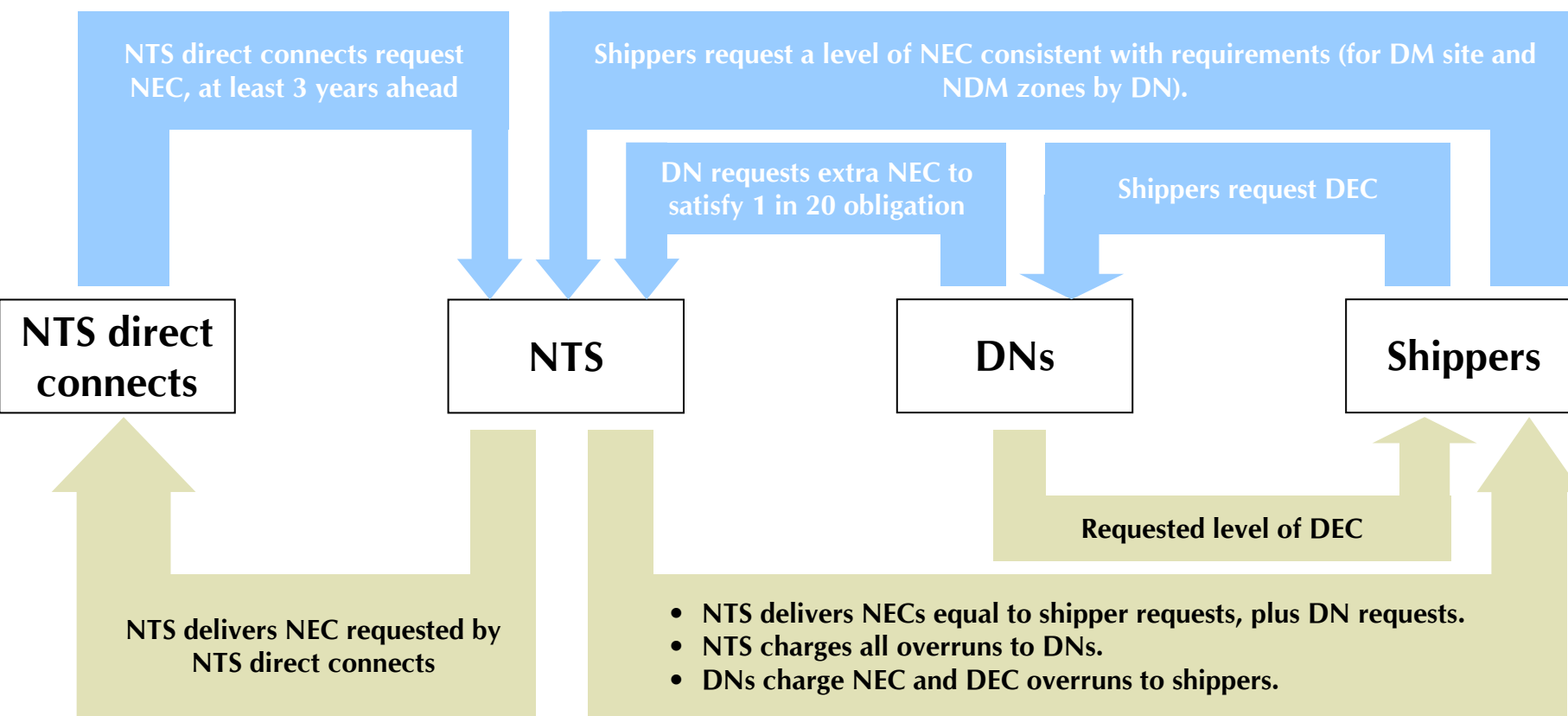
Option 1 Transco's initial proposal



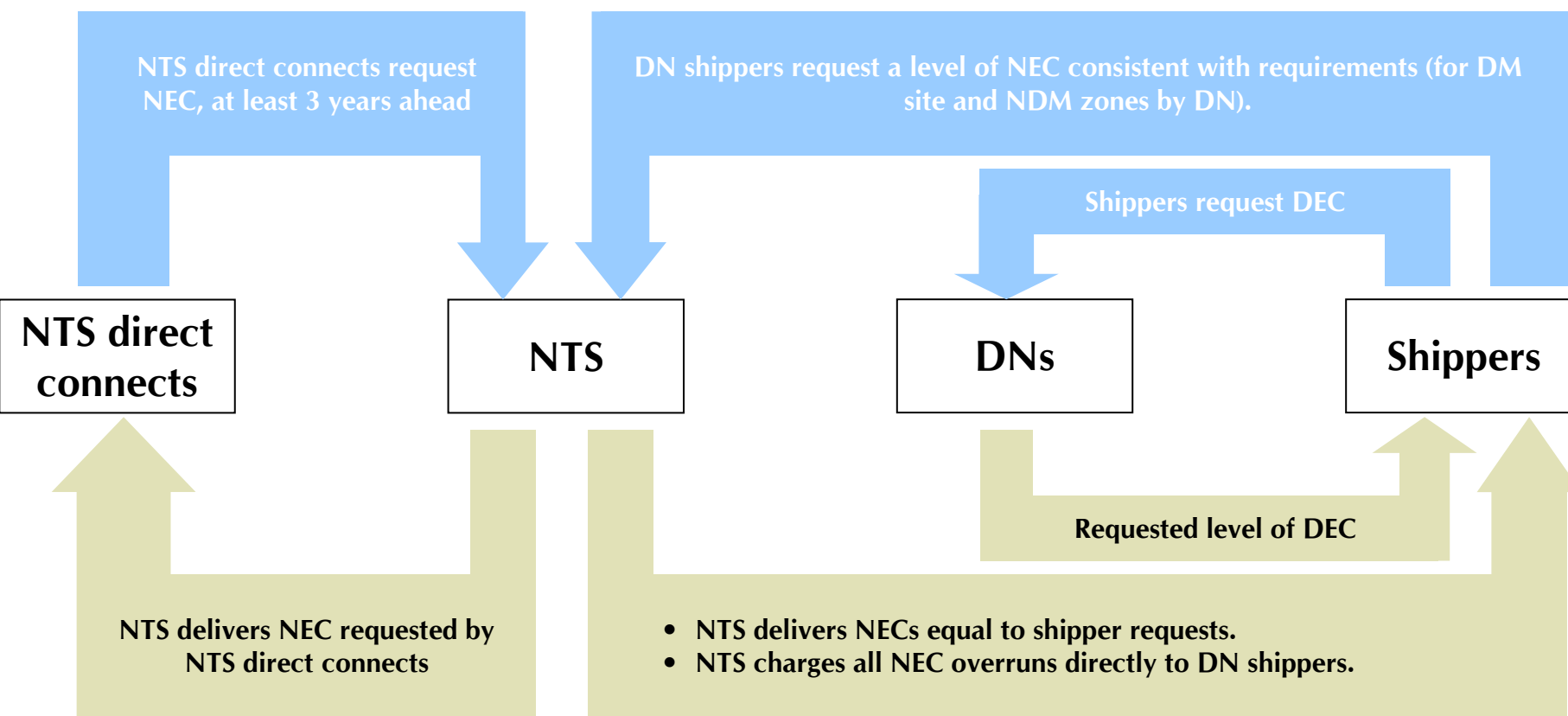
Option 2 DN booking model



Option 3 Shipper & DN booking model



Option 4 Shipper booking model



Summary of assessment

	Option 2	Option 3	Option 4
No undue discrimination	✓ ✓	✓ ✓	✓ ✓
Economic & efficient networks	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Security of supply	—	—	—
Effect on competition	✓ ✓	✓ ✓	✓ ✓
Accountability			
<ul style="list-style-type: none"> Less regulatory involvement 	✓ ✓	✓ ✓	✓ ✓
<ul style="list-style-type: none"> Implementation costs 	✗	✗ ✗	✗ ✗
Net increase in potential benefit	£27.1m	£18.6m	£33.2m

Outline of presentation

- Key issues
- Allocation of NTS exit capacity
- **Diurnal storage & operational flows**
- Business separation
- Way forward

Diurnal storage & operational flows options

- Option A – Administered approach
 - Transco’s initial proposal
 - Rights are allocated in accordance with Transco’s existing procedures
- Option B – Commercial approach
 - Defined capacity products distinct from NTS exit capacity product
 - DNs and NTS direct connects purchase at NTS offtake points

Summary of assessment

	Option B (relative to Option A)
No undue discrimination	✓ ✓
Economic & efficient networks	✓ ✓
Security of supply	—
Effect on competition	✓ ✓
Accountability	
<ul style="list-style-type: none"> • Less regulatory involvement • Implementation costs 	✓ ✓ ✗
Net increase in potential benefit	£11.7m

Outline of presentation

- Key issues
- Allocation of NTS exit capacity
- Diurnal storage & operational flows
- **Business separation**
- Way forward

Business separation options

- Option 1 – Transco’s proposals
- Option 2 – Structural separation
- Option 3 – Structural & legal separation

	Option 1	Option 2	Option 3
Licence conditions	✓	✓	✓
Information separation	✓ (partial)	✓	✓
Operational separation	✓ (partial)	✓	✓
Physical separation	✗	✓	✓
Legal separation	✗	✗	✓

Summary of assessment

- Each form of separation has benefits
 - limits opportunities for undue discrimination between RDNs and IDNs
- Debt restructuring costs are unlikely to increase costs to customers (Transco disagrees)
- Ofgem does not intend to pass through implementation costs to customers

Outline of presentation

- Key issues
- Allocation of NTS exit capacity
- Diurnal storage & operational flows
- Business separation
- **Way forward**

Way forward

- Responses due 9 July 2004
- Decisions by end of July
- Detailed work to be progressed through the workgroups

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a red rounded rectangle. The background of the slide is a light blue gradient with faint, semi-transparent images of electrical outlets and a person working at a computer.

ofgem

Promoting choice and value for all
gas and electricity customers