

Clarification questions

1. Option 2: How is it possible to substitute NTS exit capacity for investment within the DN in respect of the MDQ?
2. Option 2: Will the 1 in 20 obligation be removed from the NTS?
3. Option 3: Will DNs or shippers pay for the cost of “additional” NEC?
4. Option 3: Does DN exit capacity need to equal NTS exit capacity?
5. Option 4: How does competition arise for NTS and DN exit capacity given that the DN and NTS has to provide what is requested?
6. DN incentive scheme: How will the ‘expected’ level of NEC be set? How will this interact with the price control?

Clarification questions

1. *Option 2: How is it possible to substitute NTS exit capacity for investment within the DN in respect of the MDQ?*
 - As DNs and the NTS will be separate commercial entities, there may be occasions when investment decisions are made on a non-integrated basis.
 - It is therefore important that appropriate investment incentives are created.

Clarification questions

2. *Option 2: Will the 1 in 20 obligation be removed from the NTS?*
 - The 1 in 20 obligation will be placed on DNs, under options 2 and 3
 - It is for further discussion in the workgroups / consultation whether it is desirable and / or practical for this obligation to also be placed on the NTS.

Clarification questions

3. *Option 3: Will DNs or shippers pay for the cost of “additional” NEC?*
 - The cost of additional NEC requested by the DN to ensure that NTS offtake points meet 1 in 20 will be charged back to shippers.
 - As in Option 2, DNs will be subject to an incentive scheme on the level of NEC they request.

Clarification questions

4. *Option 3: Does DN exit capacity need to equal NTS exit capacity?*
- There is no reason why total requested DEC must equal requested NEC
 - For example, DEC requests may exceed NEC requests if diversity of consumers is reflected in capacity requests by shippers.

Clarification questions

5. *Option 4: How does competition arise for NTS and DN exit capacity given that the DN and NTS has to provide what is requested?*
 - In Option 4, shippers request the level of NEC and DEC they require. As a result, there is a positive incentive on shippers to improve their understanding of the needs of their customers. This, in turn, has a positive effect on competition

Clarification questions

6. *DN incentive scheme: How will the 'expected' level of NEC be set? How will this interact with the price control?*
- Setting the expected level of NEC will not be straightforward.
 - As this level may be difficult to assess at first, tight caps and collars may be required in early years (as per entry capacity incentive scheme).
 - It is possible to “bolt-on” incentive schemes to price controls, without the requirement to re-open.

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