

Flow Flexibility - Overview

Steve Fisher – DISG 02/11/04

Flow Flexibility Agenda

- Introduction
- Initial Proposal – Original Flow Flexibility Product
- Revised Proposal – Revised Flow Flexibility Product
- Reasons for Revised Flow Flexibility recommendation
- Flow Flexibility Products

Flow Flexibility Introduction

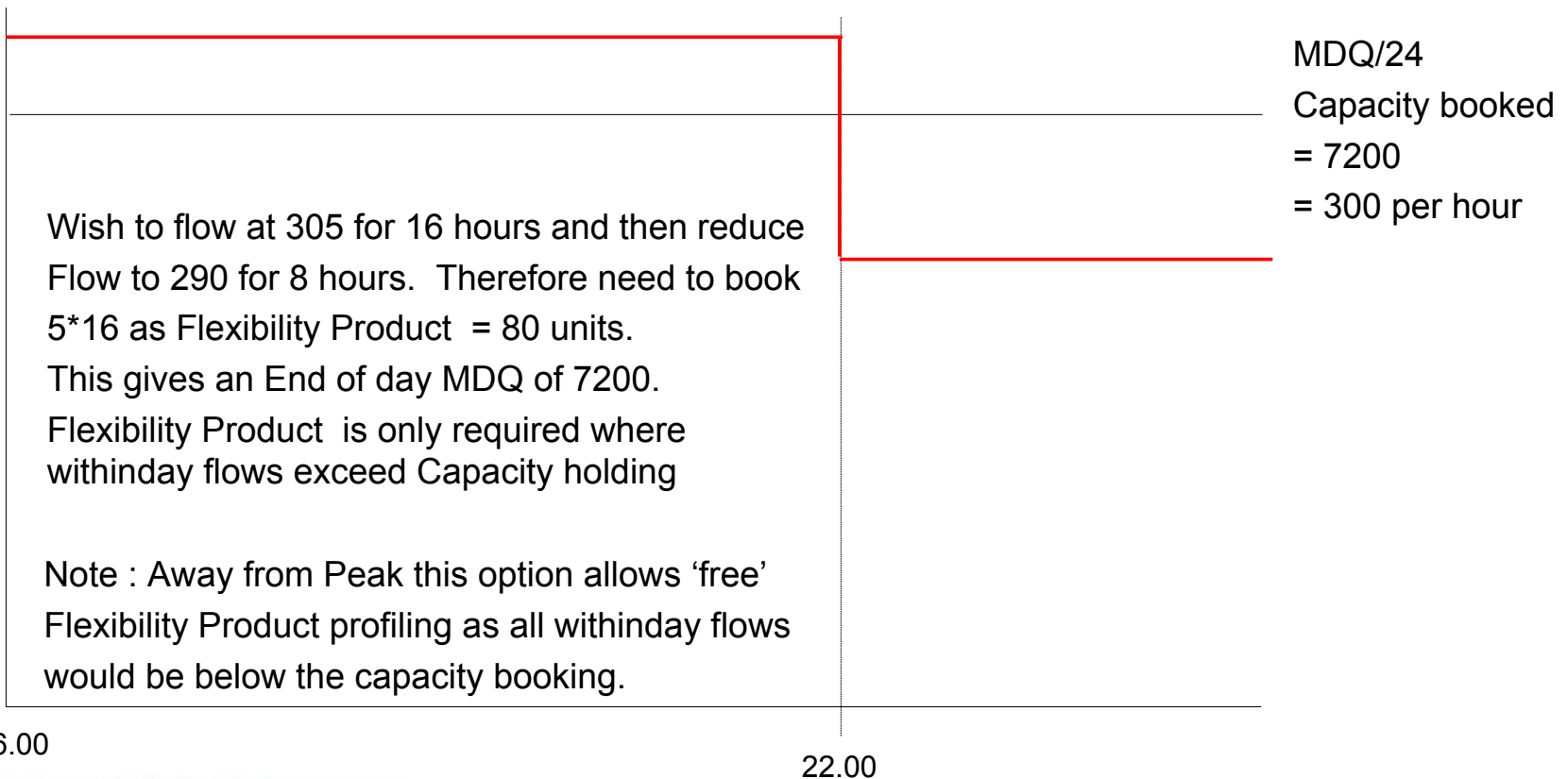
- Discussed in previous RIA
- Presented original Flow Flexibility Product to DISG
- NGT's thinking has moved on
 - Why?
 - Provide further information to industry

Flexibility Product

Original NGT Proposal

- Quantity at rates taken at a rate $> \text{MDQ} / 24$ (MDQ = Exit Capacity booked)
- Maximum Volume requirement
- Effective between 06.00 and 22.00 hours

High Level Overview of Original NGT Proposal



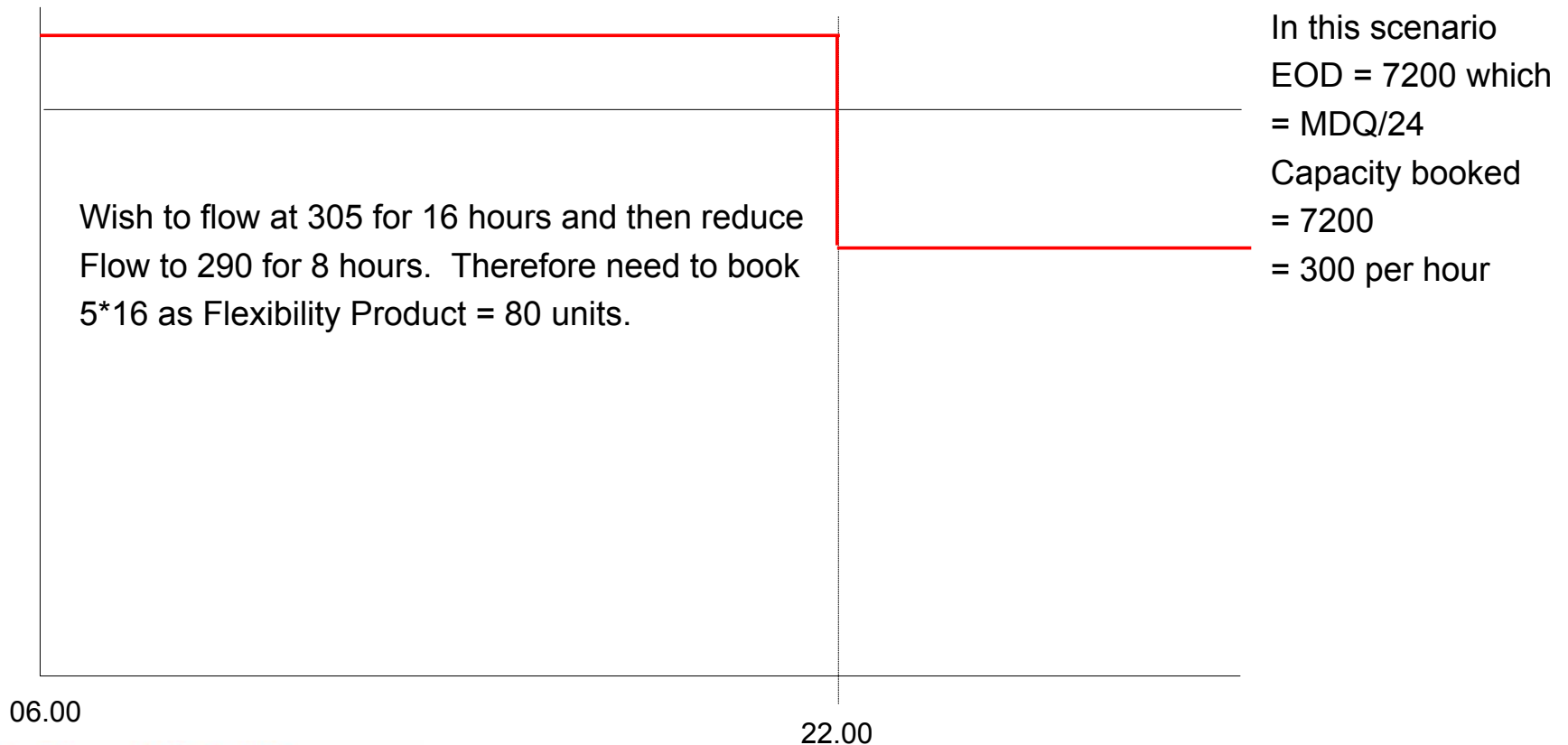
Flexibility Product

Revised NGT Proposal

- Remove Link to Exit Capacity product
 - enabling year round flexibility product
 - effective management
- High Level description:
 - Flexibility Product required for rates taken greater than End of Day Measurement (allocation) / 24
 - Cumulative Volume taken as at 22.00

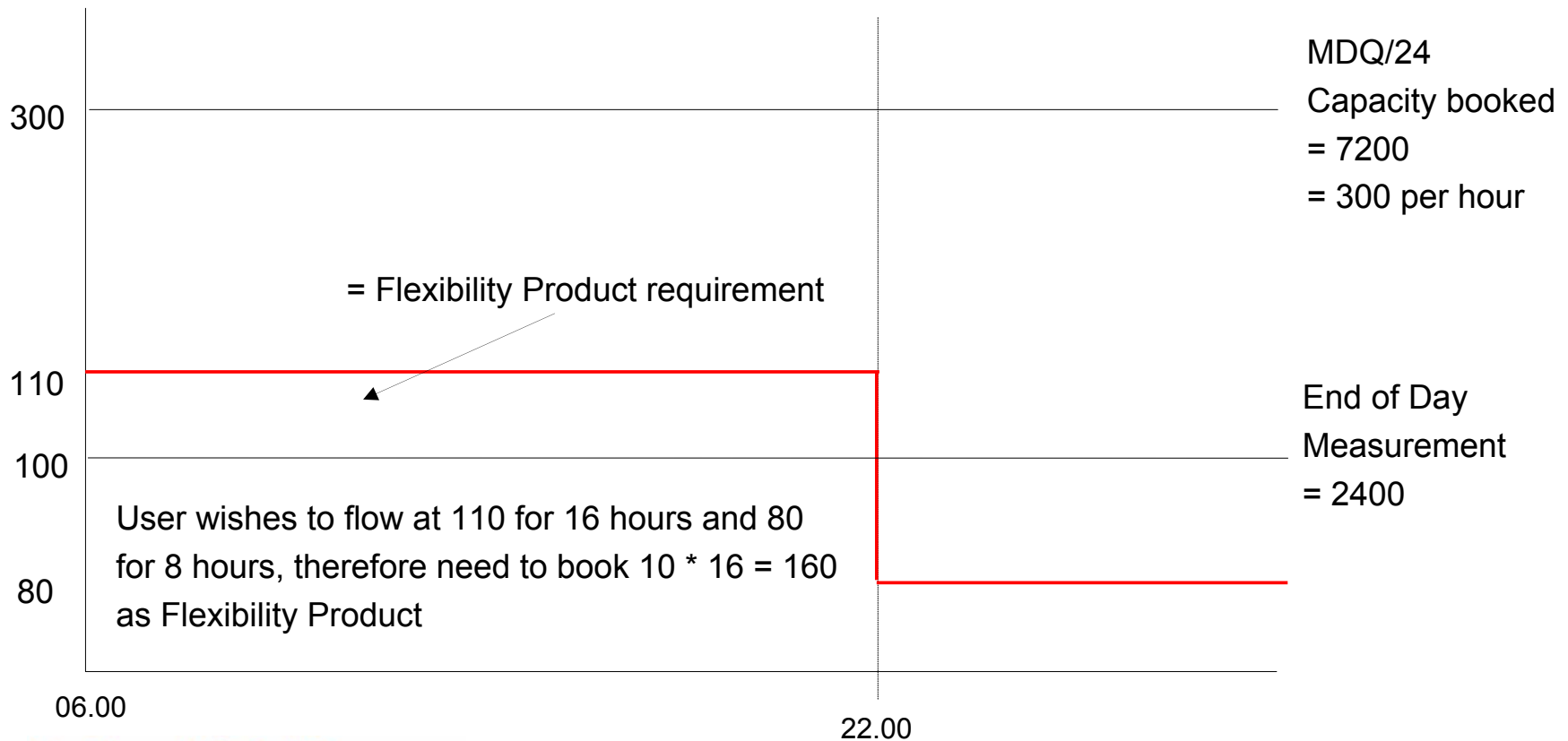
High Level Overview of Revised NGT Proposal

Peak Day Example (EOD = Capacity Holding)



High Level Overview of Revised NGT Proposal

Non-Peak Day Example (EOD < Capacity Holding)



Flexibility Product – Why Revised Proposal ?

Original Proposal	Revised Proposal
Bundled product within Exit capacity allocation	Distinct product based on deviation away from 1/24 th rate
Distinct Product above Exit capacity holding (MDQ)	Transco offers a quantity that reflects availability
Allows access to large quantity of off-peak flexibility	Ability to manage through buyback of : Flexibility Product or Exit capacity
Transco may have to manage through capacity buyback	

Flexibility Product – Why Revised Product ?

- Revised Product will have the same effect as Original Product on a peak day
- Transco believes that the DNs will still be required to book their capacity to meet their 1:20 obligation and that the DN will request the NTS Exit capacity from NTS and NTS will look to satisfy such requests (subject to any economic criteria being met)
- At present DNs 'book' their capacity based on their peak day flow and 'book' Flexibility Product to meet their peak hourly requirements to meet any difference between their 'capacity booking' and their peak hourly requirement.
- Revised Product allows the DNs to indicate both their end of day and withinday requirements, thus providing information to the planning process.

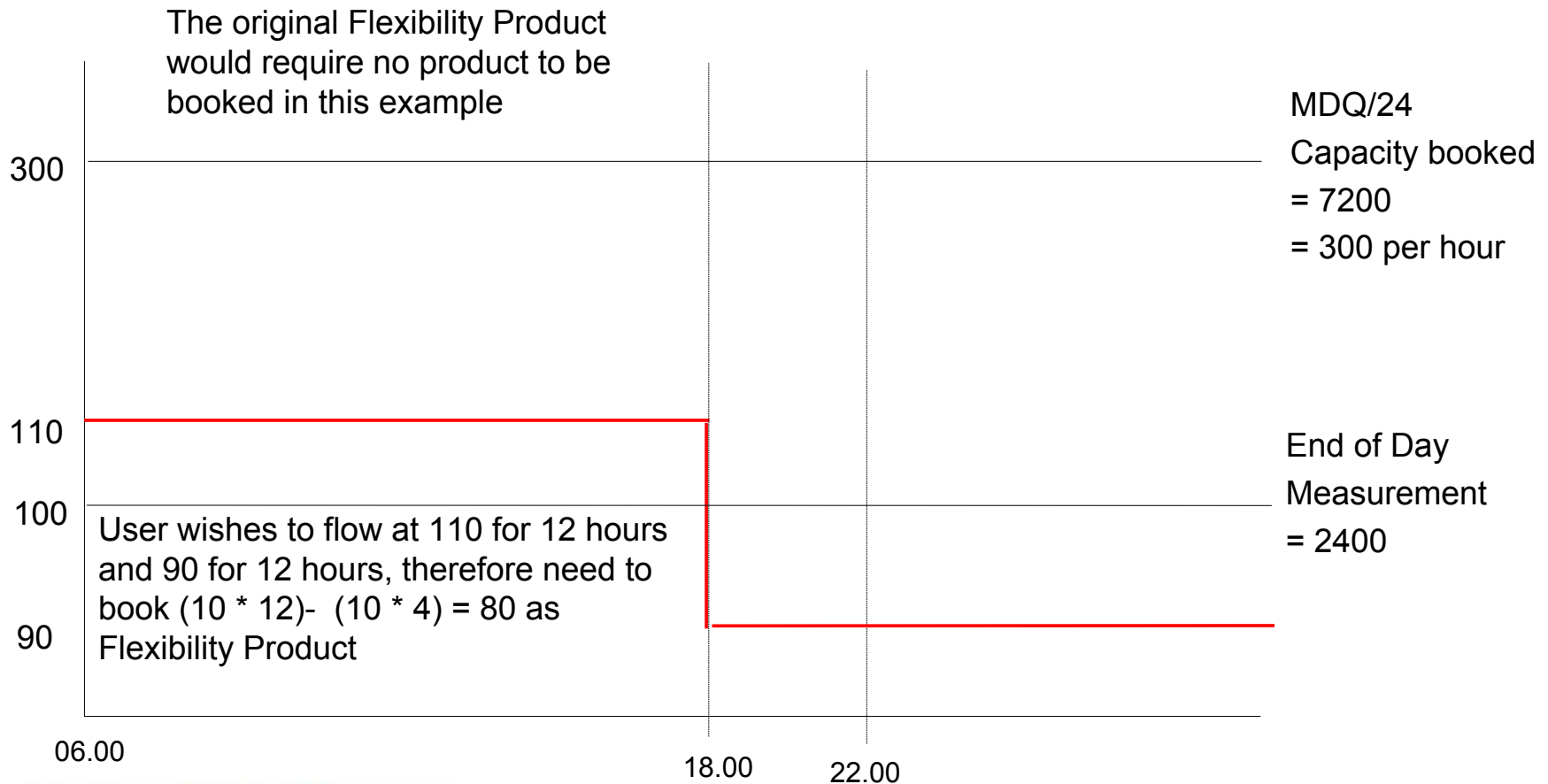
High Level Overview of Products

Flexibility Product

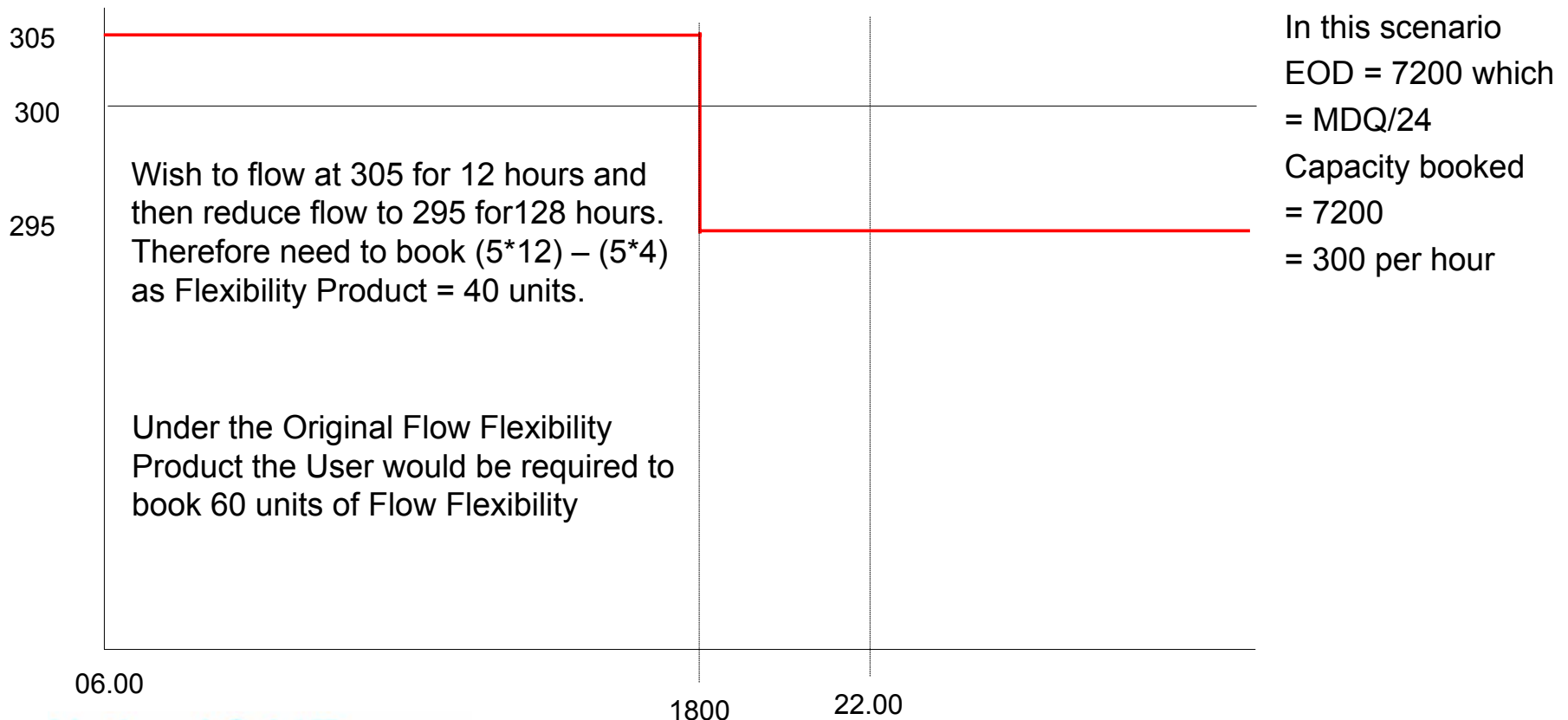
- Net position at 22.00 within day
- Limit to a maximum rate that can be flowed in any given hour
- Does not increase EOD capacity holding – potentially allows rate ‘swing’ above the EOD capacity holding / 24 (if capacity held = end of day flow)
- Offered at all NTS Exit Points
- Transco buy and sell the product

High Level Overview of Revised Flexibility

Option Non-Peak Day Example (EOD < Capacity Holding)



High Level Overview of Revised Product Peak Day Example (EOD = Capacity Holding)



High Level Overview of Products

- Proposals to sell Flexibility Product via
 - Long Term – years [3] to [8]
 - Medium Term – years [1] and [2]
 - Short Term - Daily
 - And to utilise buybacks
- Current proposal to trade Flexibility Product in the same way as NTS Exit Capacity.

Conclusion

- NGT recommends the Revised Flow Flexibility Product because it
 - Identifies a distinct flexibility product
 - Enables effective management of the products
 - Provides information for planning and developing the transmission system.