NTS Flexibility Capacity Product – alternatives for enduring proposals

Ofgem seminar

24th February 2006

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Background

… the current NTS Exit Flexibility Capacity product was developed as part of the DN sales process

… implementation of the enduring regime deferred to permit more time to consider the proposed framework

… many industry participants have advocated consideration of alternative approaches

… National Grid NTS keen to explore simplifications of proposed NTS exit reform wherever it might be appropriate to do so

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The NTS Exit Capacity Products & Alternatives

- "Current" Flat and Flexibility Capacity products
  - Two product "TANIF" model
- Refinements considered in detail (based on current flexibility definition)
  - Two product model (with expanding flexibility element)
  - One product model (with expanding flexibility element)

…the EOWG discussions were not intended to be an exhaustive list of possibilities

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Current NTS Flat and Flexibility Capacity products

… the "TANIF" definitions of the above products have already been implemented in the UNC

… DNs secure NTS Exit Capacity products via the Offtake Capacity Statement (OCS) application and allocation processes

If implemented in the enduring regime we assume overrun arrangements will be in place to encourage connectees at offtake points to offtake in a manner consistent with their NTS Exit Capacity holdings

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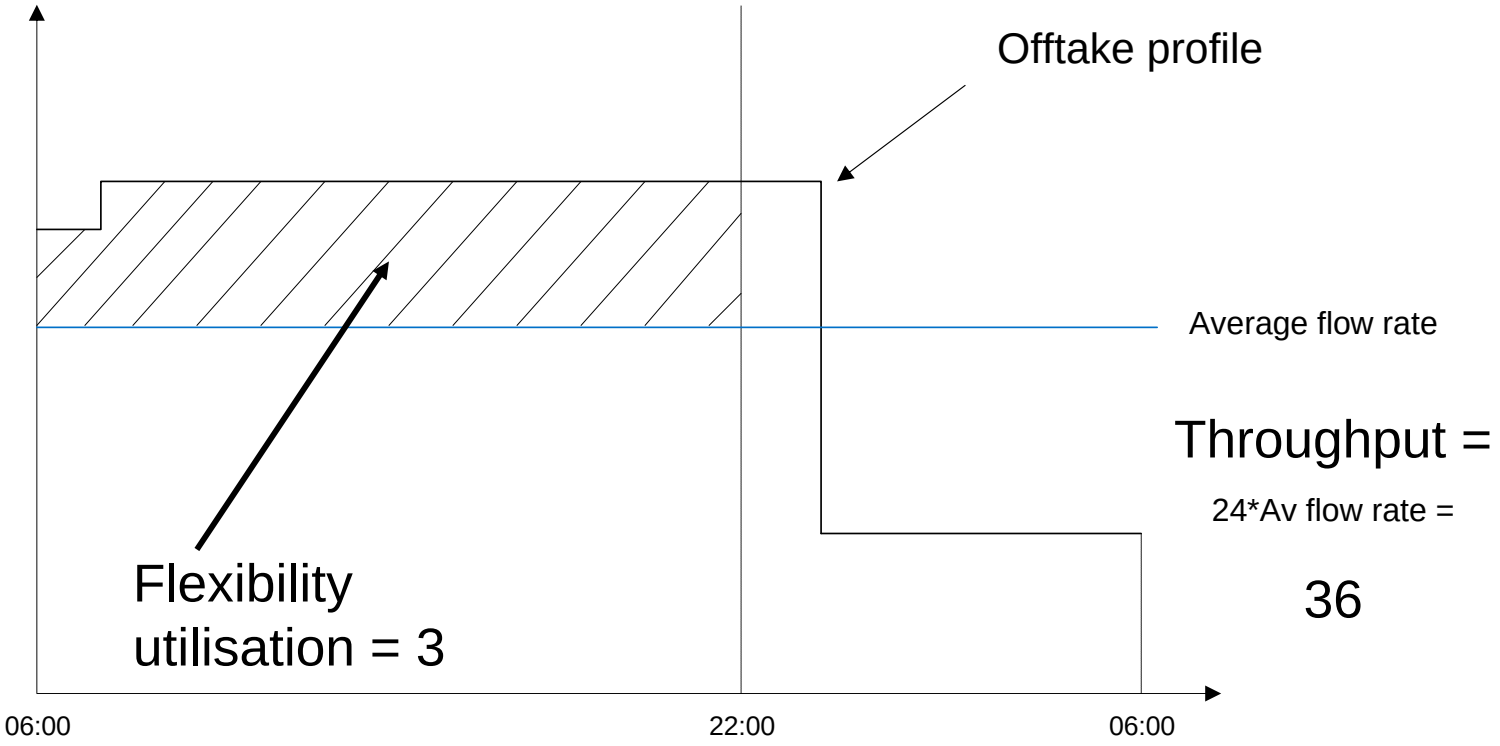
Understanding the “flexibility utilisation” assessment principle ….

Flexibility utilisation = cumulative offtake to 22:00 – (2/3) of daily flow



Product designed to reflect linepack impact at 22:00; time of maximum system stress

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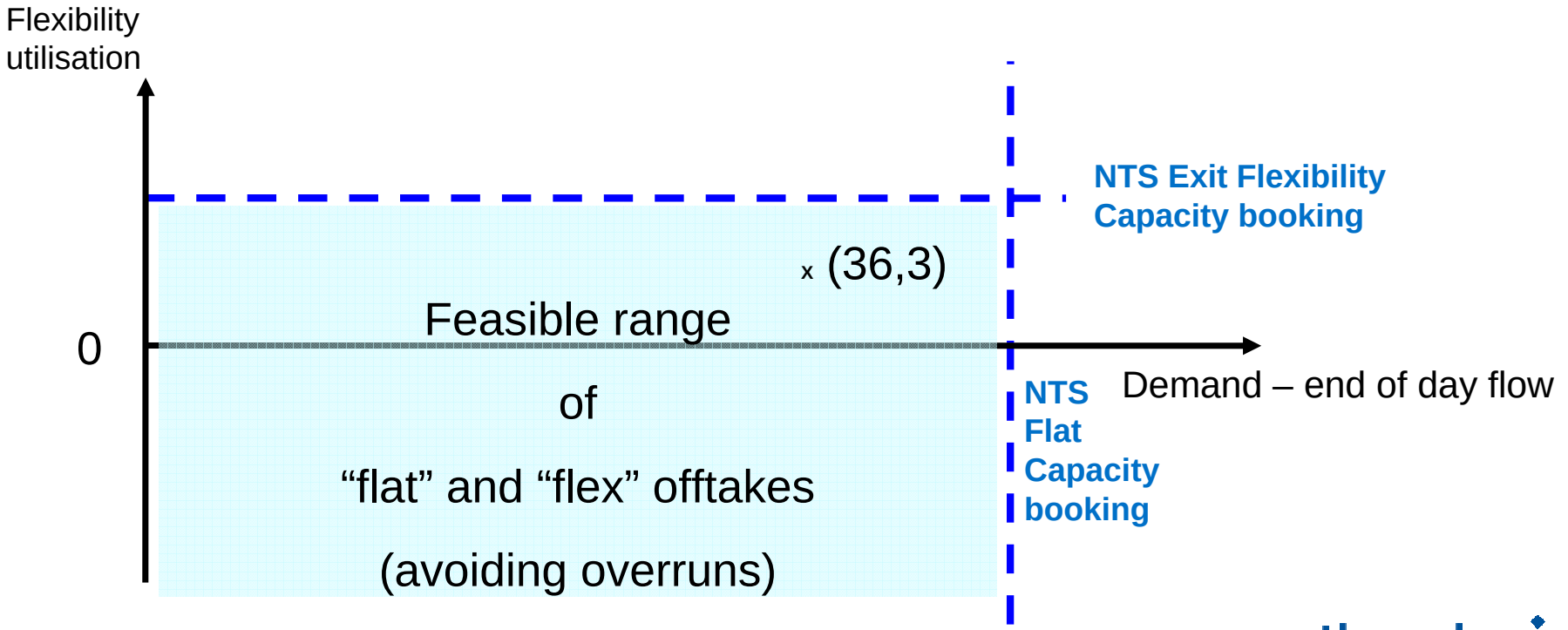
User booking requirements – two product "TANIF" model

… expectation Users will book NTS "Flat" and "Flexibility" capacity levels required to satisfy all their requirements

… may require users to consider both their highest throughput and highest flexibility utilisation requirements



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… but what about an expanding flexibility element ?

… many users are unlikely to have coincident peak flexibility and daily offtake requirements

… this may force users to "over book" a combination of "flat" and "flexibility" capacity

… so there might be scope for contemplating a "Flexibility" entitlement that expands when a user is not fully utilising his "Flat" holding

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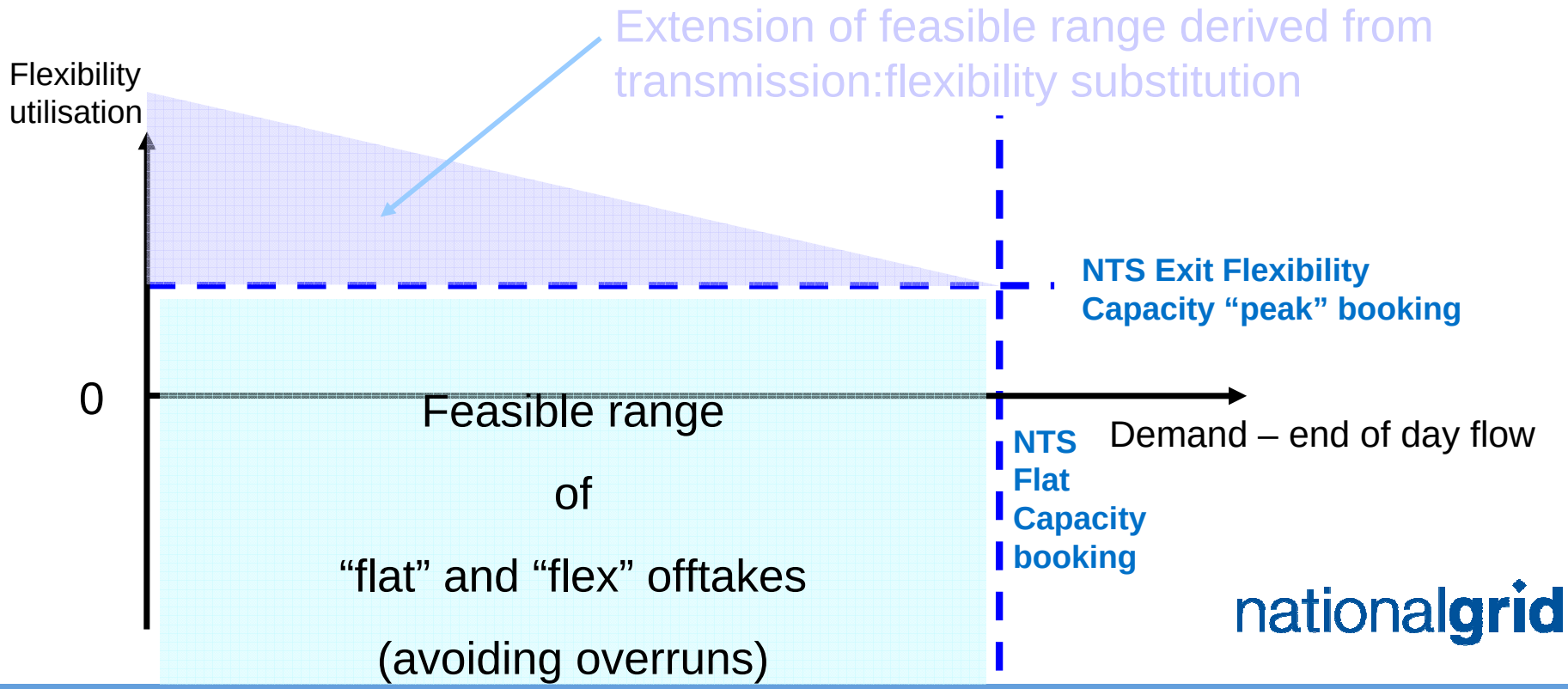
Two product (with expanding flexibility) model

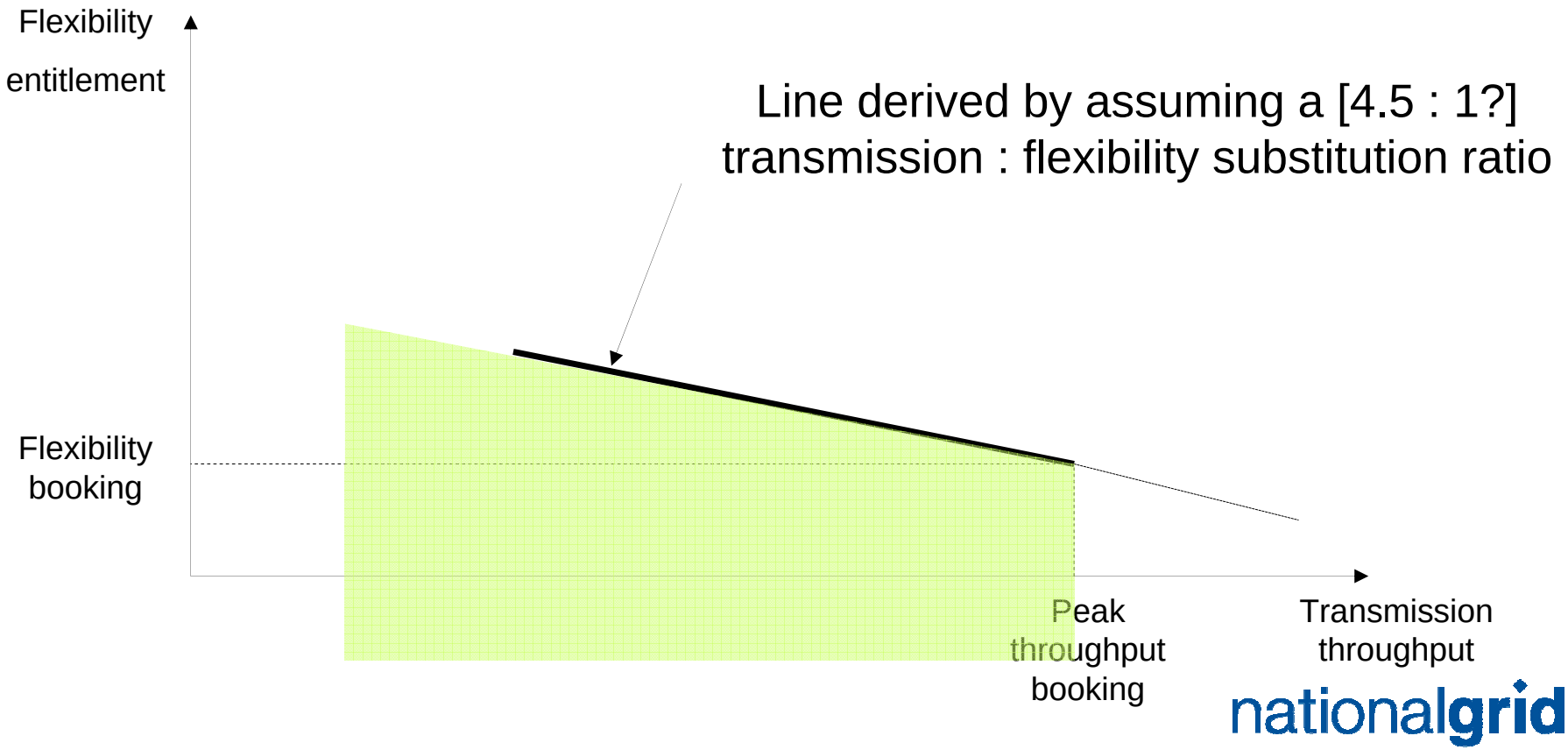
… expectation Users will book NTS "Flat" and "Flexibility" capacity levels required to satisfy their requirements on "peak throughput" day

… unused transmission capacity "automatically converted" into extra Flexibility availability based on a transmission:flexibility substitution ratio



.. the “expanding flexibility product” may facilitate efficient User booking?

Significant challenge to set the slope of the line



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User flex entitlement = flex booking + [2/9?] (peak throughput booking – throughput)

Single product model (with expanding flex element)

… the preceding model still requires users to book 2 separate products

… a further simplification might be to contemplate a single "transmission capability" parameter to determine a single "product" booking

… assessment of product utilisation made in respect of two dimensions:

throughput against single "transmission capability" booking

flex usage against a derived flex "entitlement"

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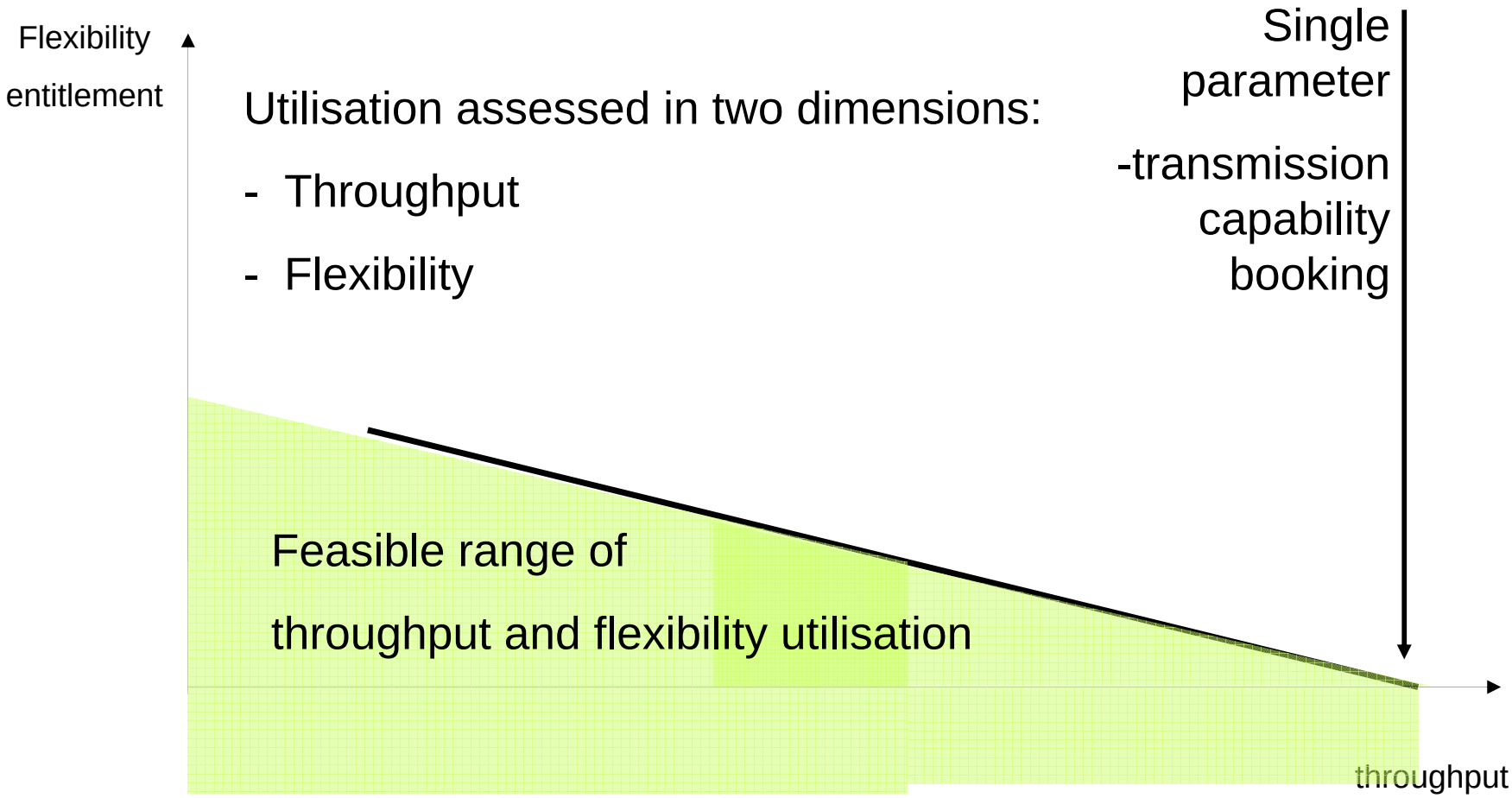
.. Developing the simple single parameter booking regime?



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User flex entitlement = [2/9] (transmission capability booking – throughput)

Next steps

National Grid want simple but credible approaches to NTS exit reform

We recognise that

- establishing the best way forward is a challenge
- we need feedback from stakeholders
- we need to develop analysis to establish if “expanding flex” is appropriate and, if so, how steep the slope should be

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