

NTS Exit Reform Strawman Proposal - Investment commitment profiles

EOWG

19th April 2005

[/nks/060419_EOWG_investment_commitment_profile](#)

... EWOG have explored a strawman proposal that features Users having prevailing NTS capacity rights which can only be reduced subject to a notice period

... this presentation explores

the user commitment framework

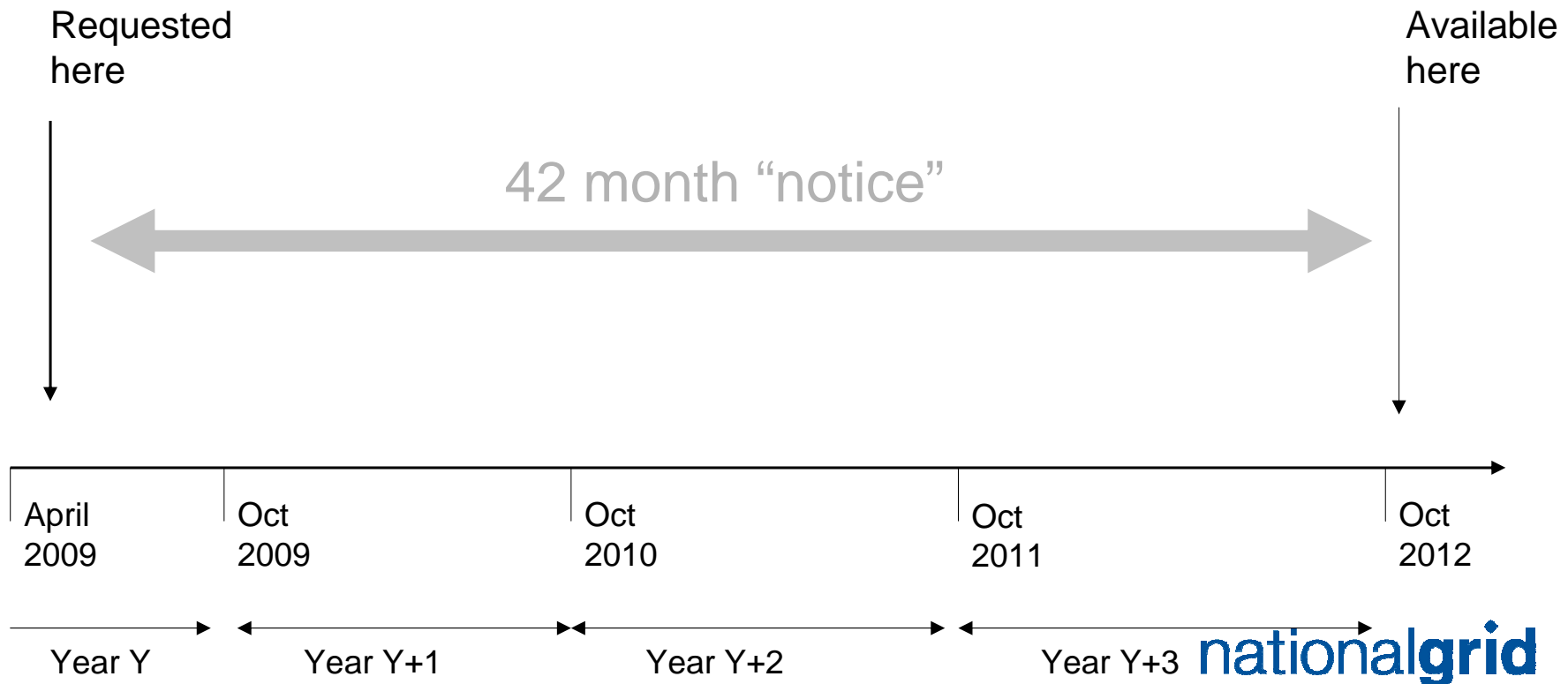
the timescales associated with NTS investment programmes

the associated financial commitment profile

Presentation objective: to inform views about the “notice period” parameter in the user commitment model

Strawman – Processes for increasing prevailing rights

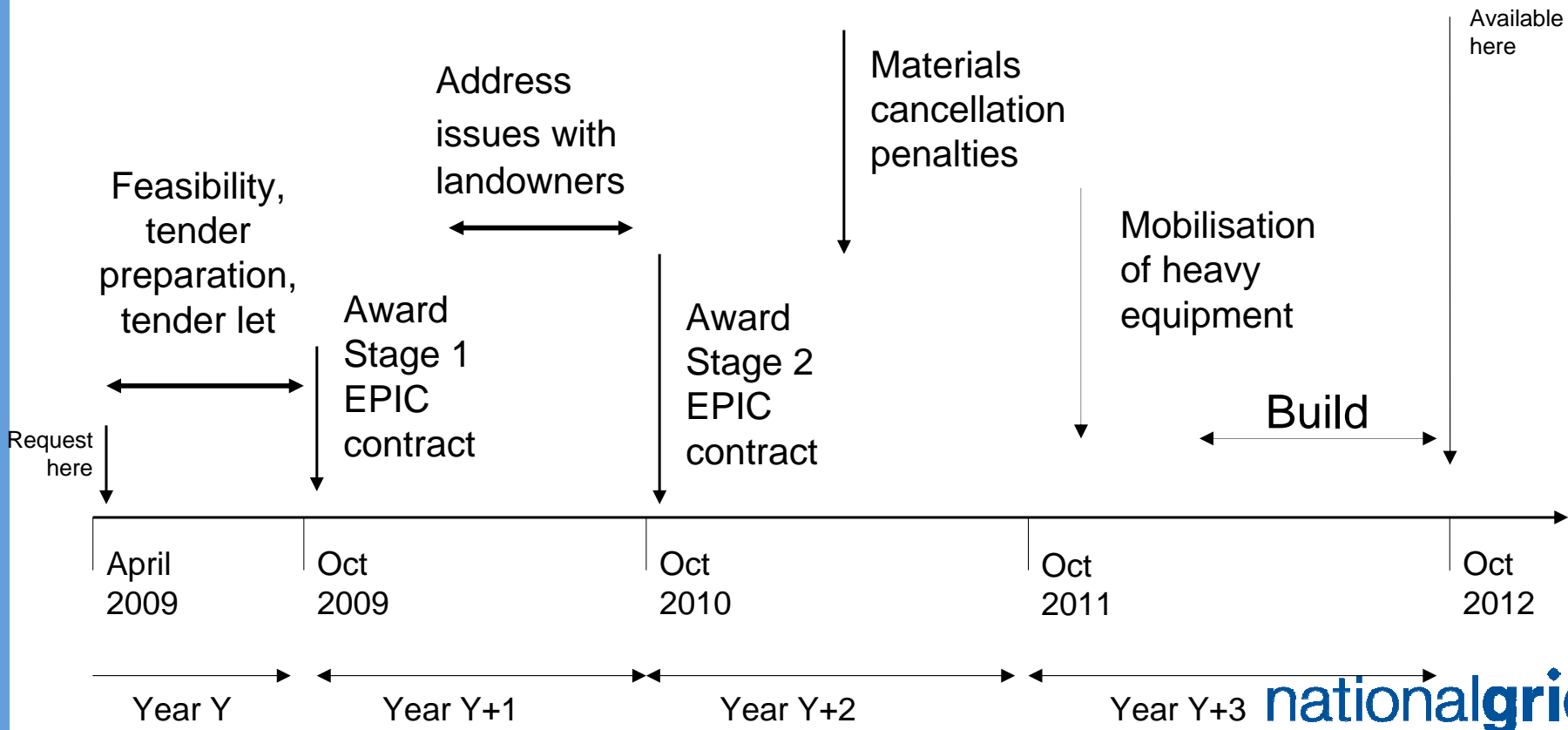
Envisaged that incremental requests for increases in prevailing capacity entitlements received in April Year Y for capacity required in October at start of Year Y+4



Delivery of incremental investments

The key stages in delivering NTS investments are closely related to the 42 month “window” envisaged in the strawman

← 42 month programme →



Expenditure profile

vs

Commitment profile

Costs of work

Cash payments for work

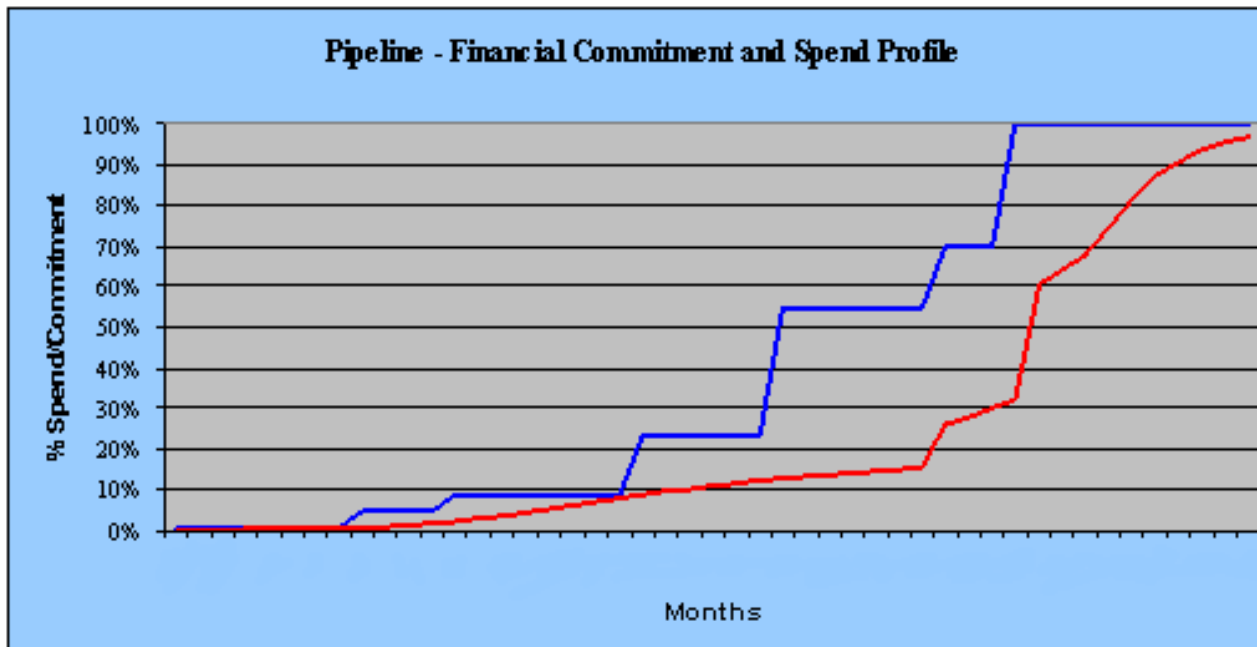
-may be made before, during or after various steps have taken place

Resource “consumption” within the programme

Commitments to cost

Commitments to pay/use resources

-Typically made before “costs” are incurred



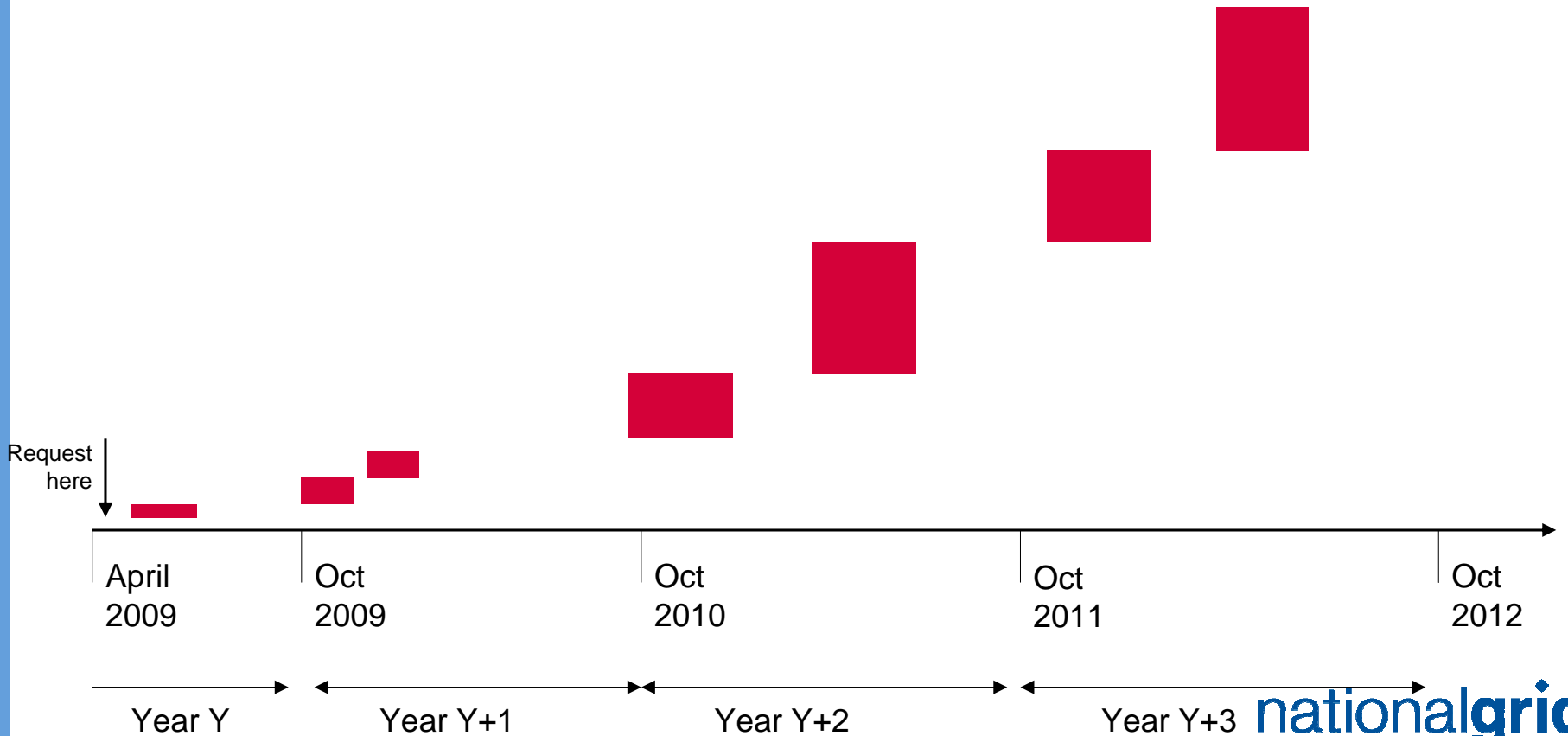
Commitment profile

Expenditure profile

nationalgrid

Commitment profile

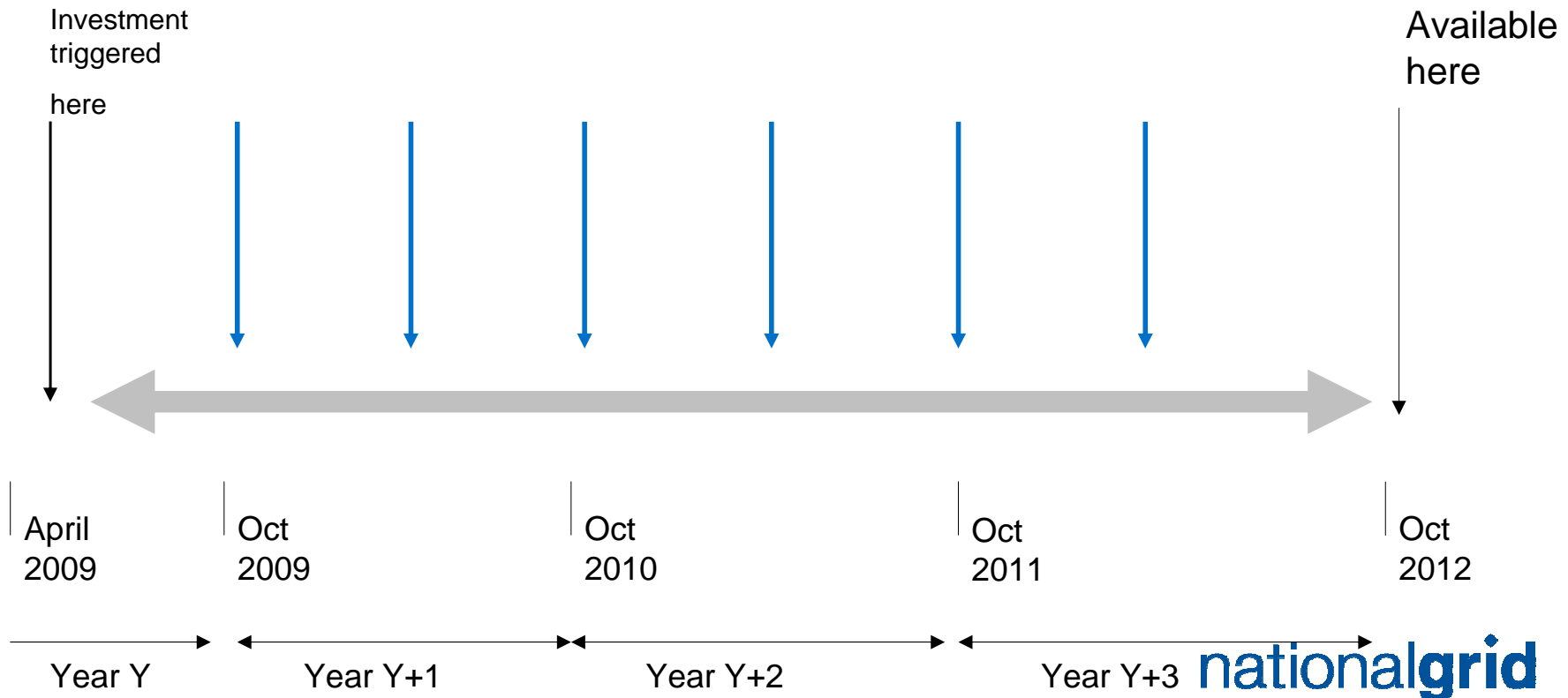
1% 5% 9% 23% 55% 70% 100%



Strawman – Processes for decreasing prevailing rights

Strawman philosophy recognises that an inability to signal a reduction of an “prevailing capacity level” might lead to a investment that might be considered “unwarranted” and therefore inefficient or stranded

Greater user ability to provide more accurate signal
but greater the risk of “stranded assets” the later the signal



Consideration of strawman "notice period"

1% 5% 9% 23% 55% 70% 100%

Current
"strawman"
proposal

2.5 years
notice

91% of costs
might be avoided

Request
here

30 month notice

April
2009

Oct
2009

Oct
2010

Oct
2011

Oct
2012

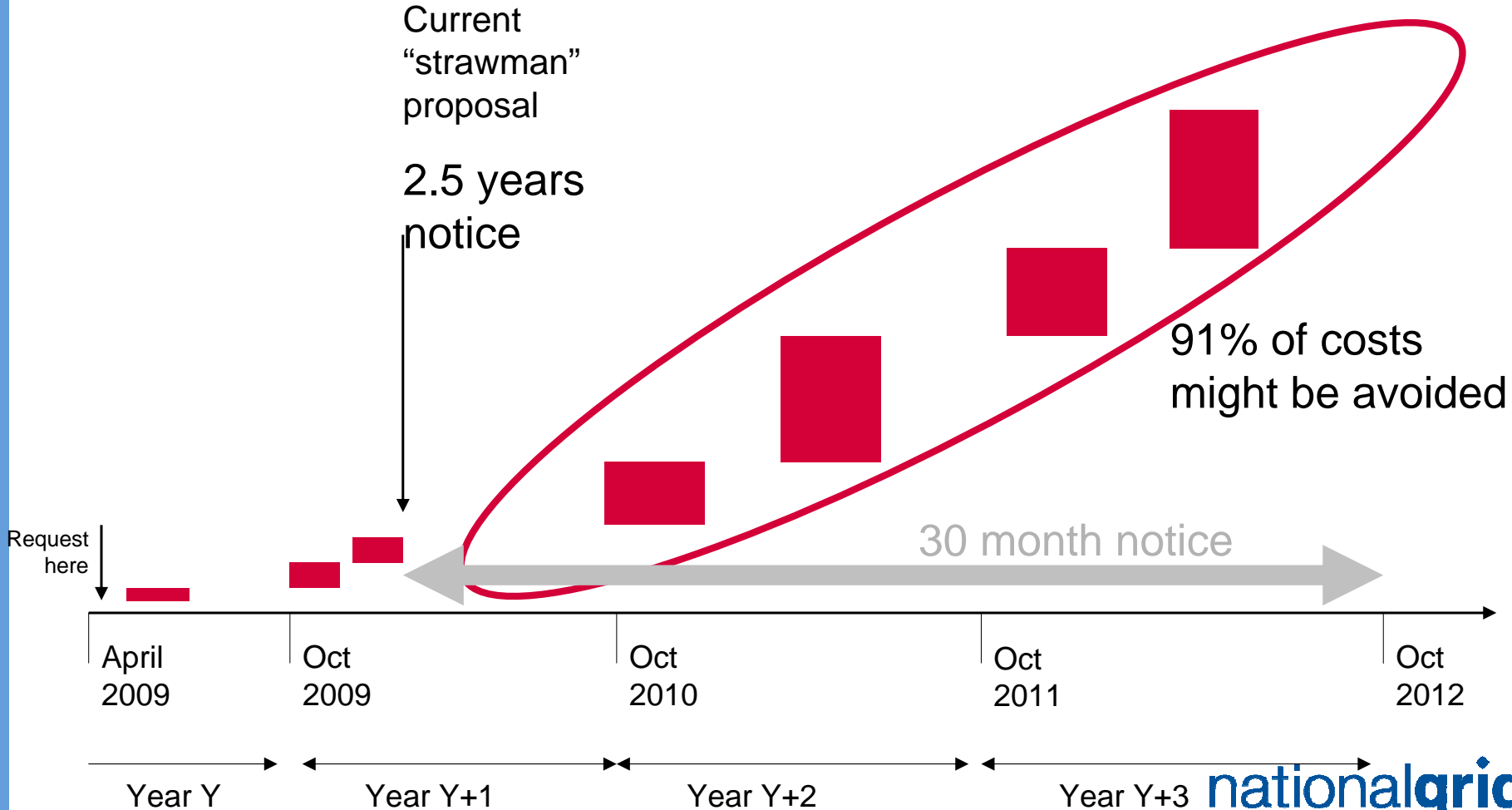
Year Y

Year Y+1

Year Y+2

Year Y+3

nationalgrid



Consideration of shorter “notice periods”

1% 5% 9% 23% 55% 70% 100%

1.5 years
notice

77% of costs
might be avoided

Request
here

18 month notice

April
2009

Oct
2009

Oct
2010

Oct
2011

Oct
2012

Year Y

Year Y+1

Year Y+2

Year Y+3

nationalgrid

... what are the relative merits of a 1.5 or 2.5 year notice period?