

# NTS Exit Reform Strawman Proposal - Implications for interruptible load

---

EOWG

19<sup>th</sup> April 2005

nks/060419\_EOWG\_Strawman\_interruptibles

**nationalgrid**

---

*... EOWG have explored a strawman proposal that features firm capacity rights that can be obtained on a “prevailing” rights basis in longer leadtimes or via “finite” rights that might be obtained within investment leadtimes*

# Presentation content

---

“Unconstrained period”

“Prevailing” firm rights  
(Increases and decreases)



Constrained periods  
(within a “couple of years”)

Shorter term firm “increments”



Constrained period  
(“very close to gas flow”)

Day-ahead firm “increments” and  
interruptible release

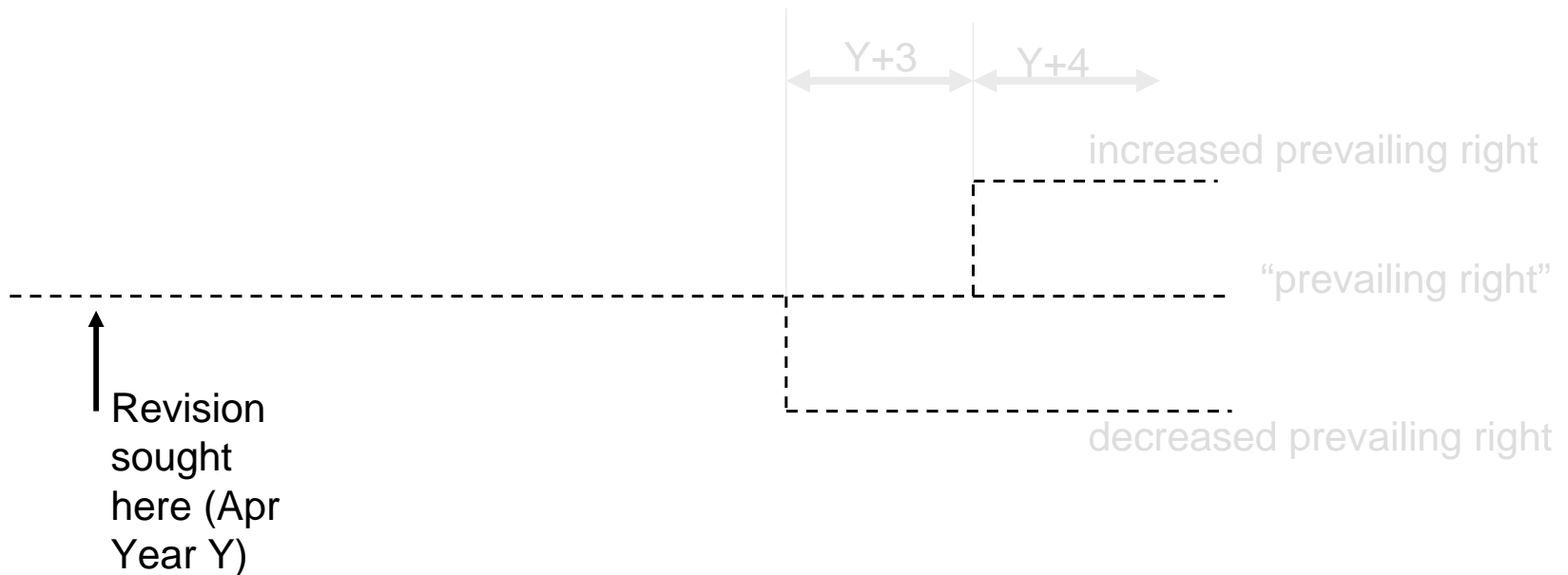


What it all means?

Implications of baselines and  
service structures for presently  
interruptible loads

# Prevailing “firm” rights

- ◆ Prevailing firm rights
  - ◆ Continue at “reserved” levels unless either
    - ◆ Increase with notice of start in [Y+4] plus 4 years commitment, or
    - ◆ Decrease with notice in Y for reduction at start of [Y+3]



No concept of baselines directly affecting “prevailing rights”

... although regime will need some form of initialisation

# Prevailing firm rights applications

---

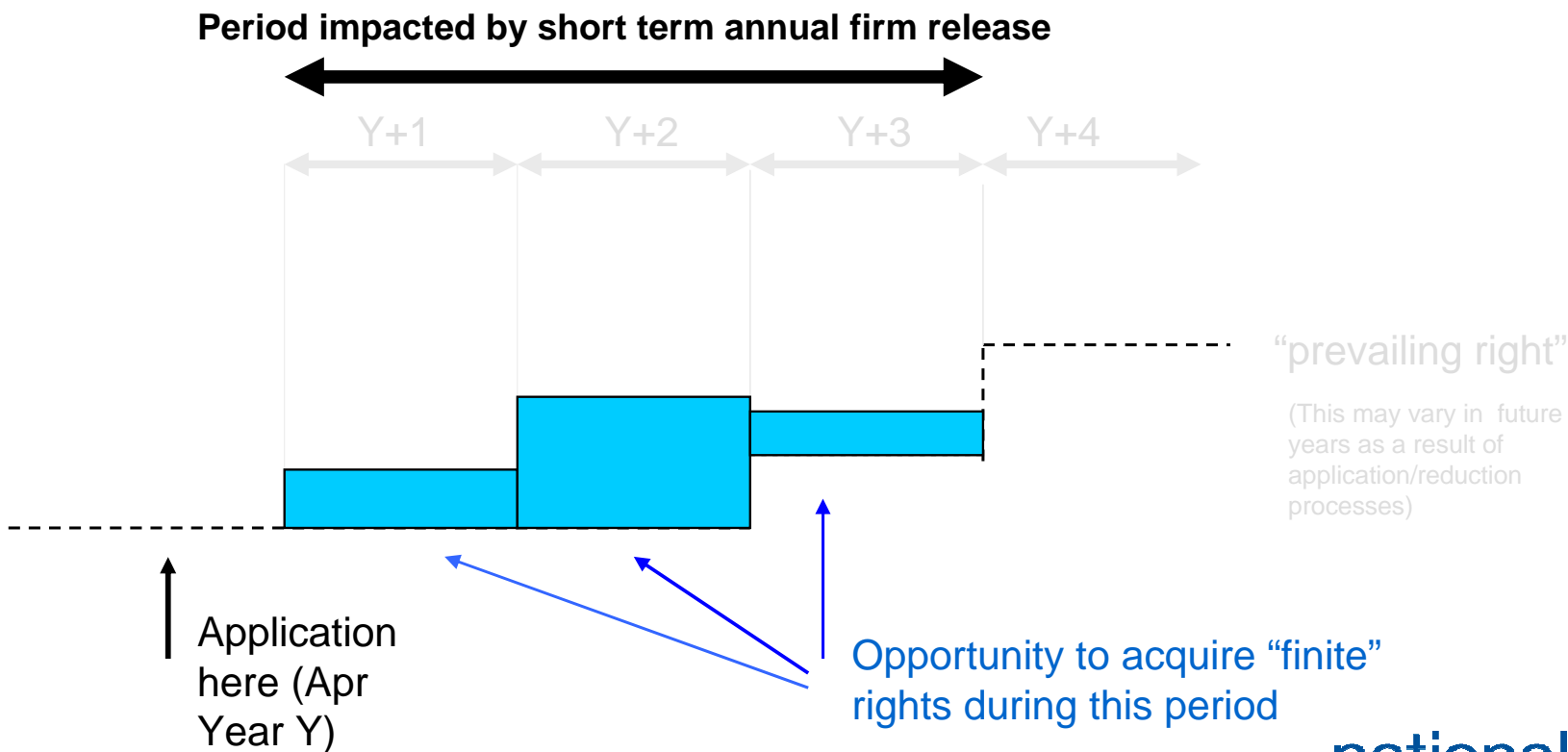
- ◆ Baselines
  - ◆ Not directly relevant to the unconstrained period
- ◆ Prevailing capacity right amendment subject to adequate notice periods/commitment
- ◆ Substitution
  - ◆ National Grid may have Licence obligation to “substitute” to avoid unwarranted investment



Regime structured to encourage longer term applications if capacity in excess of prevailing rights is required

# Shorter term “firm” annual applications

- ◆ “Constrained period”
  - ◆ Applications for additional “annual bundles” for years Y+1, and/or Y+2 and/or Y+3
  - ◆ “Price based application” – with reserve price
  - ◆ Released guaranteed up to “baseline” (as may be modified by substitution)



# Short term firm “annual bundle” release

---

## Release mechanism

### Mandatory release

Must release up to “obligated level”

- obligation defined by “Licence”
- baselines & substitution have a role

Price based release

- subject to min reserve price

Rationing process

- influenced by competition at node
- scope for substitution (?)

### Discretionary release

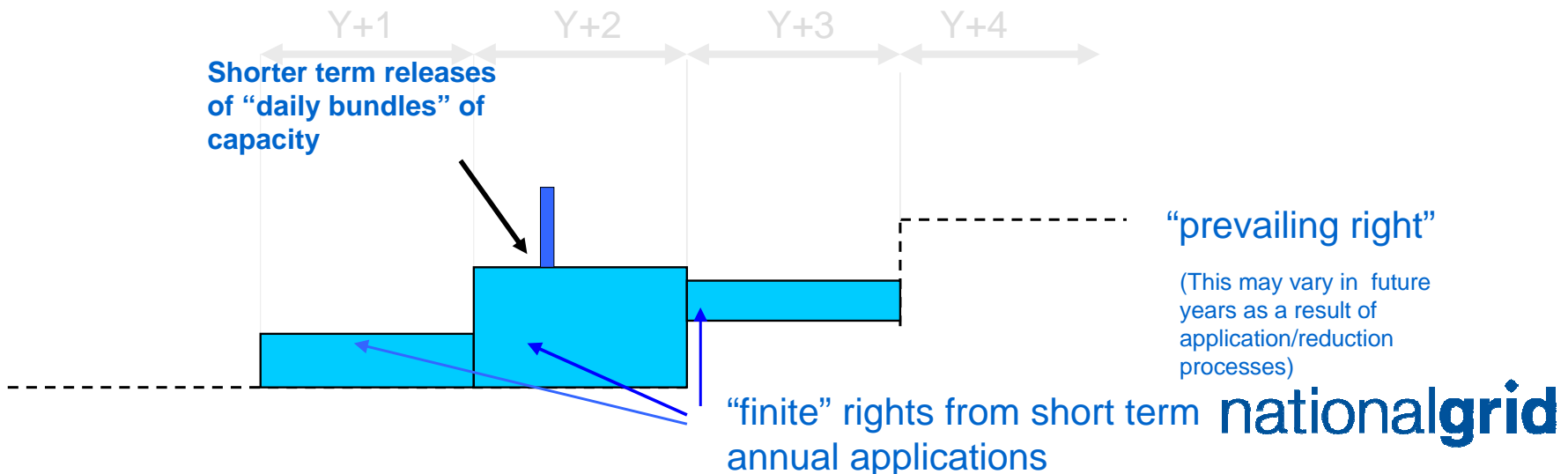
Scope for higher release quantities

- defined principles
- release determined by risk/reward

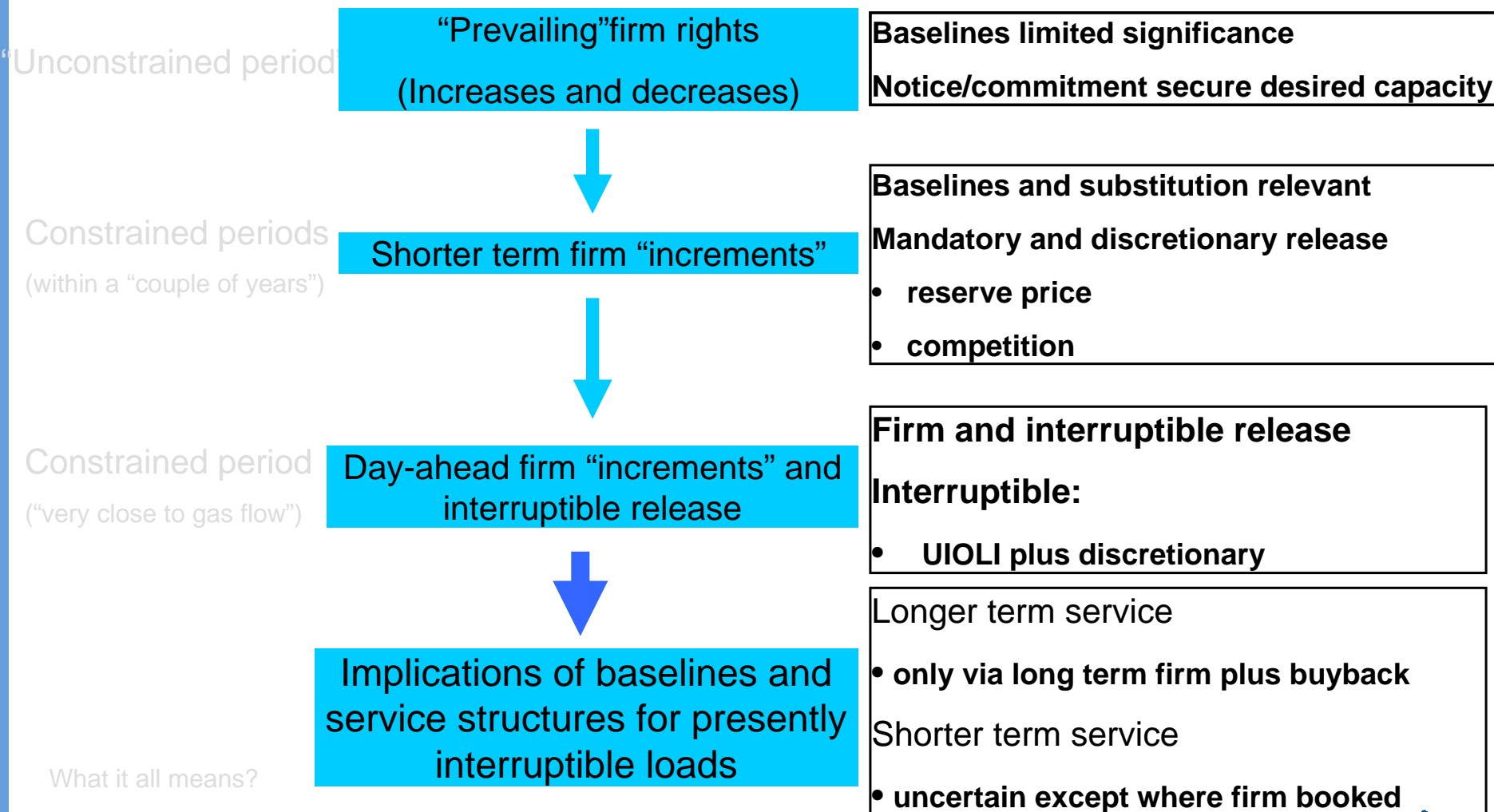
Shorter term acquisition of capacity has no impact on prevailing rights

# Close to gas flow additional capacity release

- ◆ Applications for additional daily capacity at day ahead and within day
  - ◆ Firm release (day ahead and within day)
    - ◆ mandatory release (if any – National Grid view that “clearing release” may not be appropriate)
    - ◆ discretionary release (subject to National Grid risk assessment)
    - ◆ “Price based application” – aspiration for reserve price “no less than longer term price”
  - ◆ Interruptible release (day-ahead only)
    - ◆ mandatory release - UIOLI “up to firm capacity booked”
    - ◆ discretionary release – at National Grid discretion
    - ◆ “Price based application” – perhaps zero reserve price?



# Presentation content



# Implications for current interruptible offtakes (1)

---

## **“Longer Term interruptible service”**

### **Key objective and consequential**

Interruptible service only where firm capacity not available every day

No explicit long term service – delivered via “longer term firm plus longer term buy-back”

Contractual structure

- Buy-back contract; conditionality on booking longer term firm
- Longer term booking would establish “prevailing right” therefore ...
- Acceptability may require agreement for rolling 4 year interruption rights

### **Issues to consider**

Where would National Grid require buy-backs?

Under what circumstances would such firm plus buy-back arrangements be efficient?

- Relationship with indicative baselines
- Scope for buy-back critically dependent on Licence treatment

# Implications for current interruptible offtakes (2)

---

## “Shorter Term interruptible service”

### Key features

Available at day-ahead only

Access to interruptible service

- either via UIOLI
  - where firm capacity at the node has already been booked
  - extent based on unused firm capacity over recent 30 day period
- and/or via National Grid discretionary release
  - determined by risk/reward

### Issues to consider

Acceptability of availability determination very close to gas flow?

Short term release processes to ensure no withholding of capability?

---

*... NTS exit reform may reduce the prevalence of NTS exit interruptible service?*