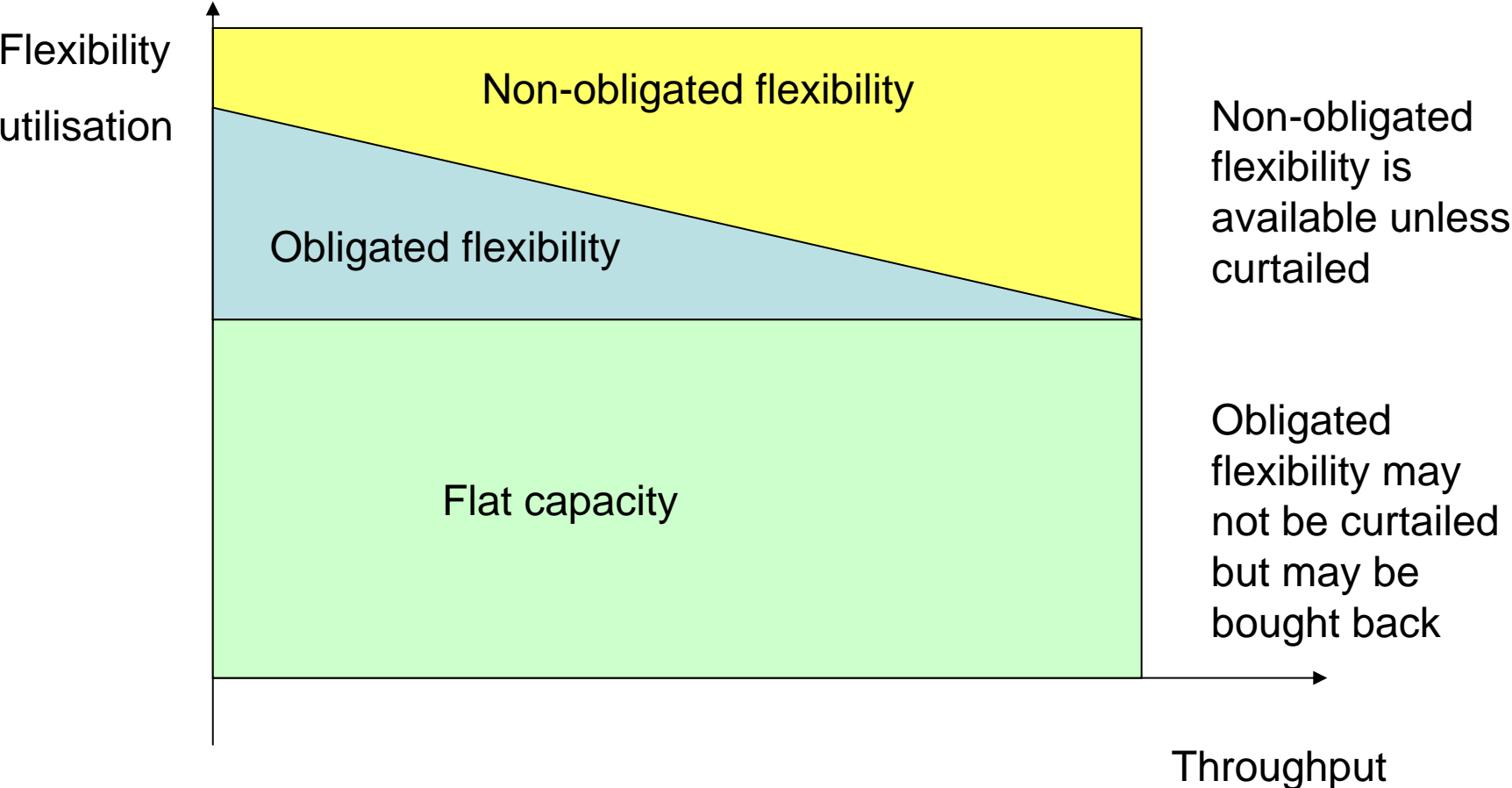


Flexibility – an alternative
approach?

Flexibility issues

- NG concern over unconstrained utilisation
 - Nervous about loss of control
- Industry concern over complexity
 - Is this necessary?
- BUT
 - Challenges in setting ‘slope of line’ and / or baselines
 - Highly dependent on assumptions so actual will be different than expected – higher or lower!
 - Approach risks losing benefits of diversity in system operation
 - Also if slope of line shallow – risk of investment signals that do not lead to investment!
 - Is this an efficient outcome?

An alternative approach



Development Issues

- Slope of line still key issue
- Curtailment
 - Timing / OPN acceptance
 - Equitability – methodology / reporting ?
- Interaction of curtailment and daily firm sales
- Overruns
- Buybacks
- NG incentives

Benefits

- Compatible with single and two product models
- NG has tools to manage flexibility utilisation
- User commitment to increase obligated flexibility
- Operational diversity available to system Users
- Investment signals focussed on long term requirements for obligated flexibility
- DNs not penalised when flowing according to NTS requested profile
- Potentially lower implementation costs