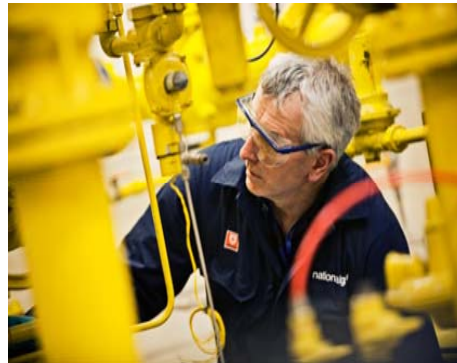


RIIO-GD1, RIIO-T1 Capacity Working Group NTS/DN interactions



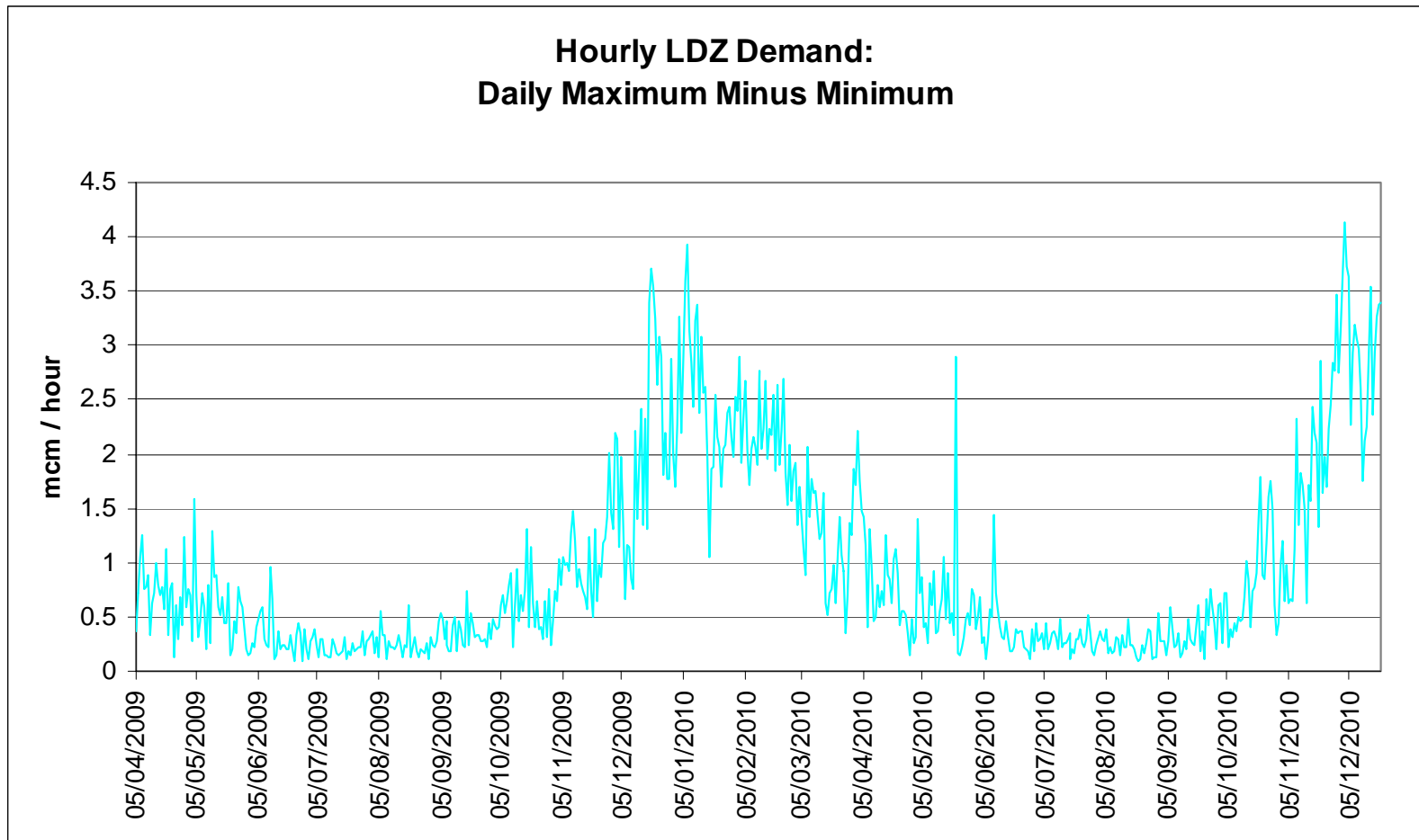
Ofgem's consultation document

- Ofgem issued consultation document on 16 December 2010
- This provided an overview of the previous debates surrounding the issue of “Flexibility” on the NTS
 - Most of the debate to date has focussed on Exit
 - Resultant UNC mod only created a “Flex” product for DNs
 - The document widened the debate and suggested:
 - Flex should be allocated to those who value it
 - NTS should offer ability to increase flex if Users are willing to pay
 - OCS process should be improved to enhance transparency
 - NTS needs to provide further justification for its Roll-over submission

System flexibility workshop indicators

-
- The System flexibility industry workshops considered the broader issue and concluded there were three categories of drivers:
 - supply
 - demand
 - linepack
 - These were summarised during the 26 May 2010 Operational Forum and were reported in Ofgem's document
 - Updated versions of these were presented yesterday at the 12 January 2011 Operational Forum
 - NTS has been considering the applicability of the indicators and whether there are other ones which could be used
 - However, note that these are indicators of the environment in which the NTS is currently operating and do not take account of any future developments of System usage

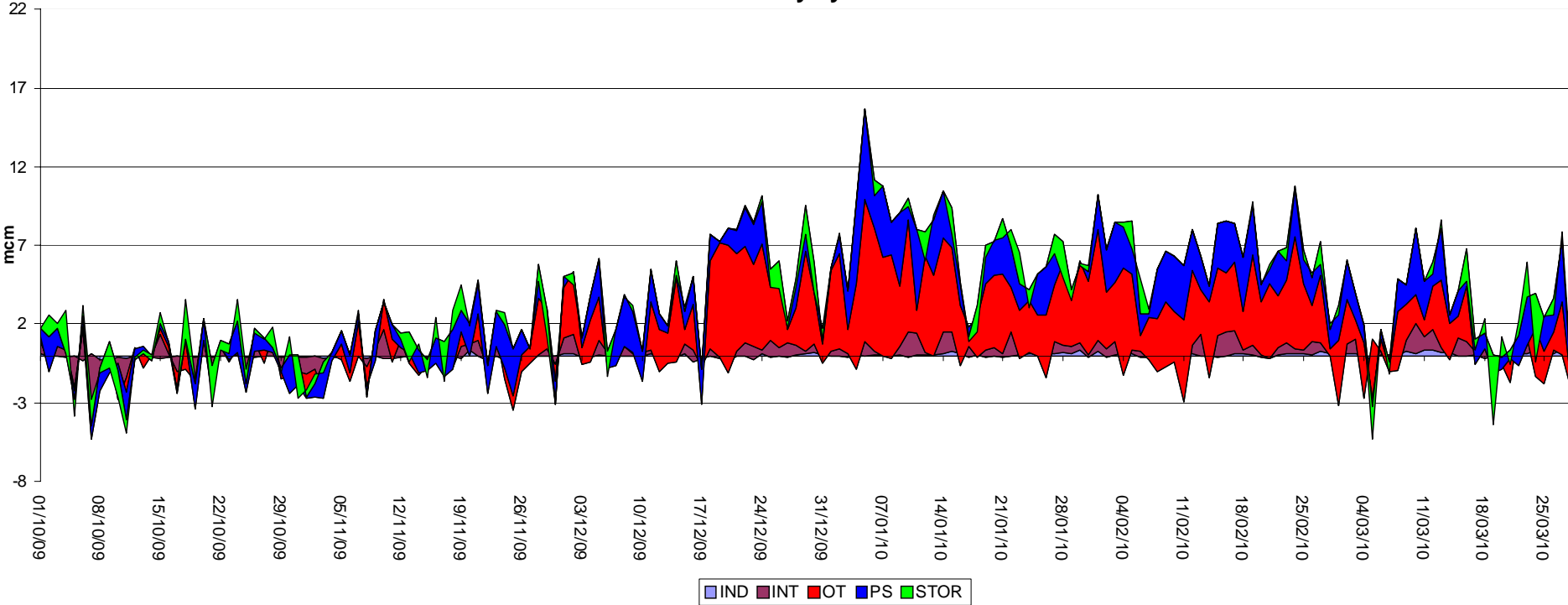
Maximum within day LDZ Demand variation



Note: Initial findings using operational data which has not been formally validated

Flex usage Winter 2009/10

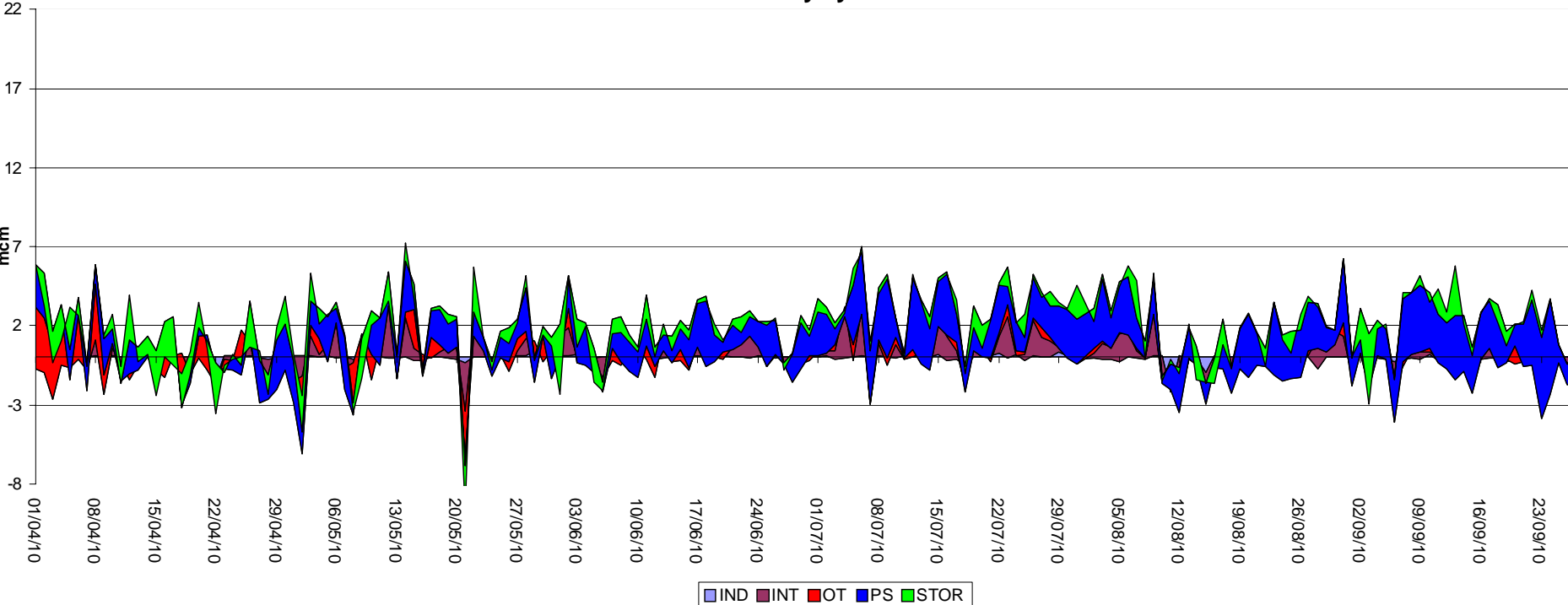
NTS Exit Flow Flexibility by Sector Winter 09/10



Note: Initial findings using operational data which has not been formally validated

Flex usage Summer 2010

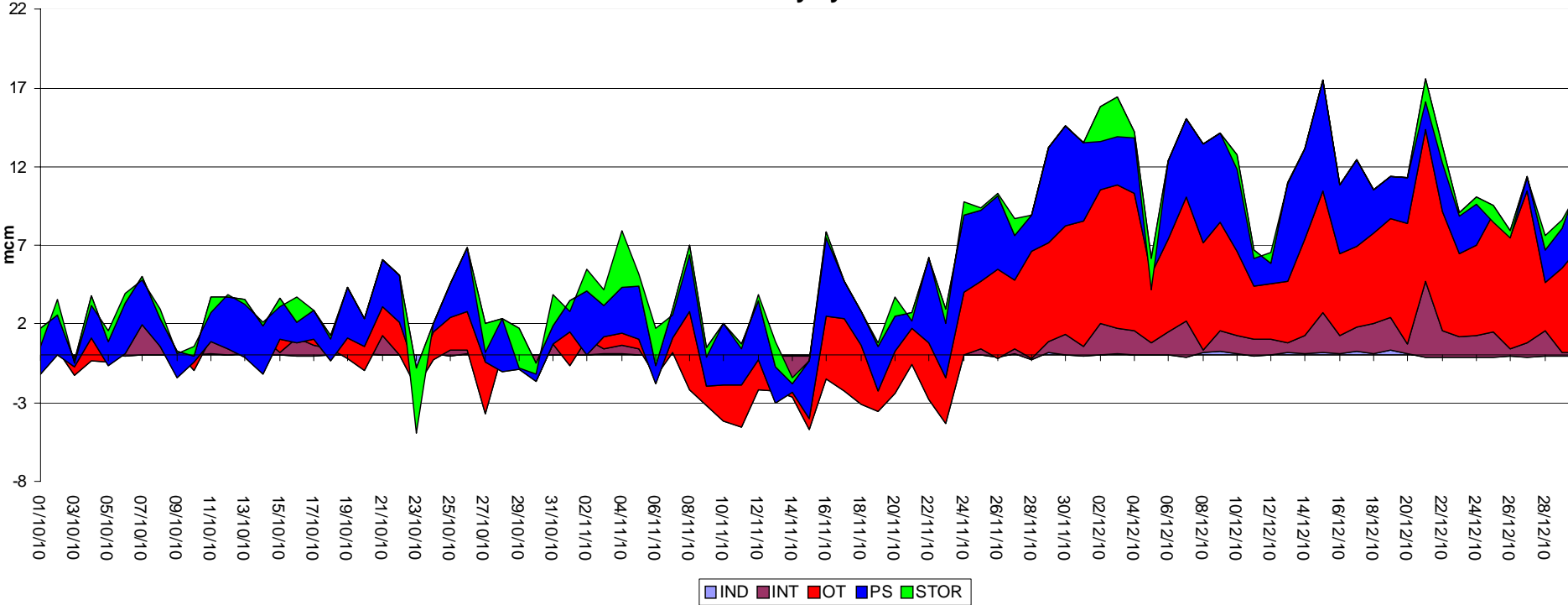
NTS Exit Flow Flexibility by Sector Summer 10



Note: Initial findings using operational data which has not been formally validated

Flex usage part of Winter 2010/11

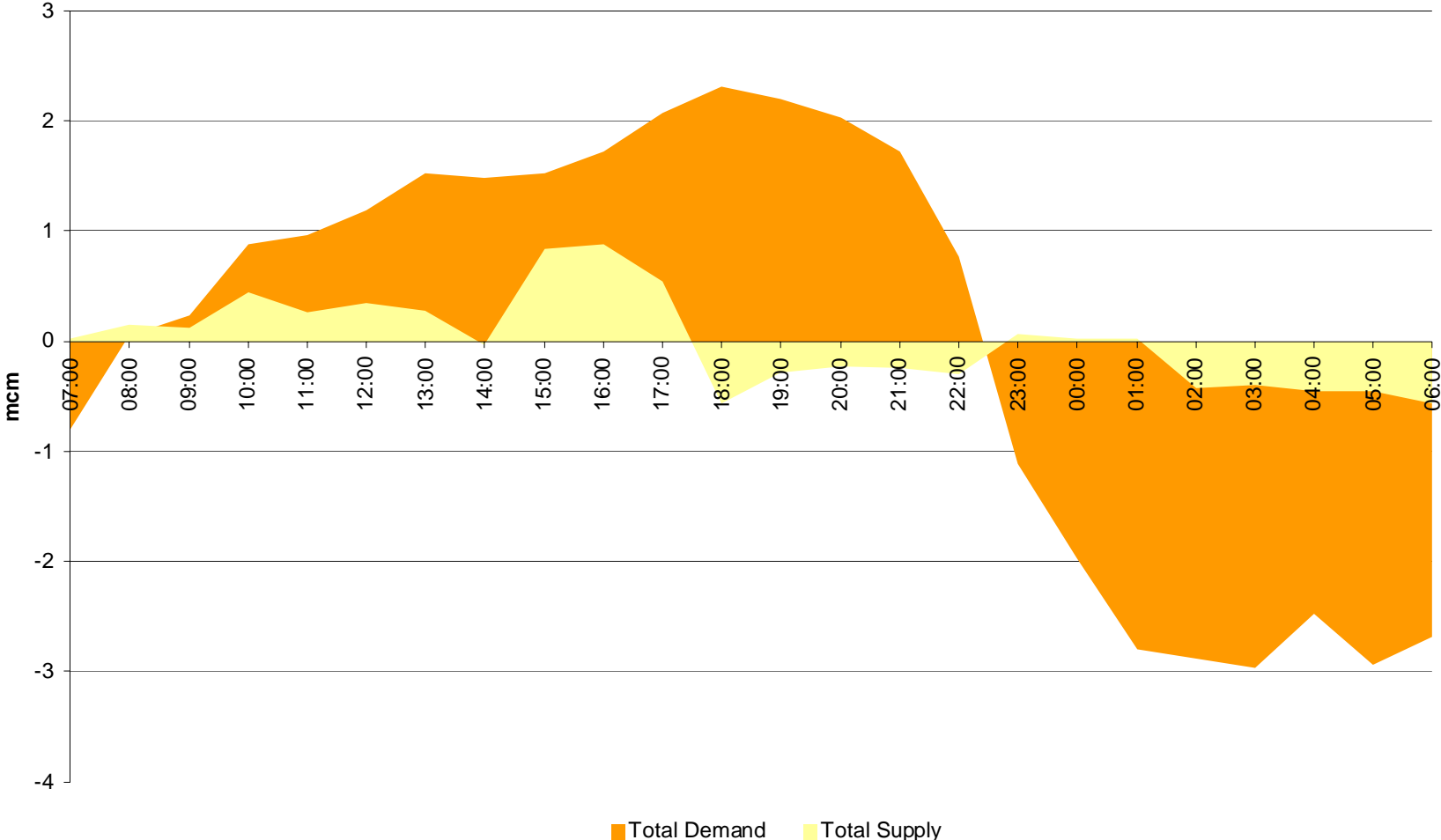
NTS Exit Flow Flexibility by Sector Winter 10/11



Note: Initial findings using operational data which has not been formally validated

High Linepack swing day – 7/12/10

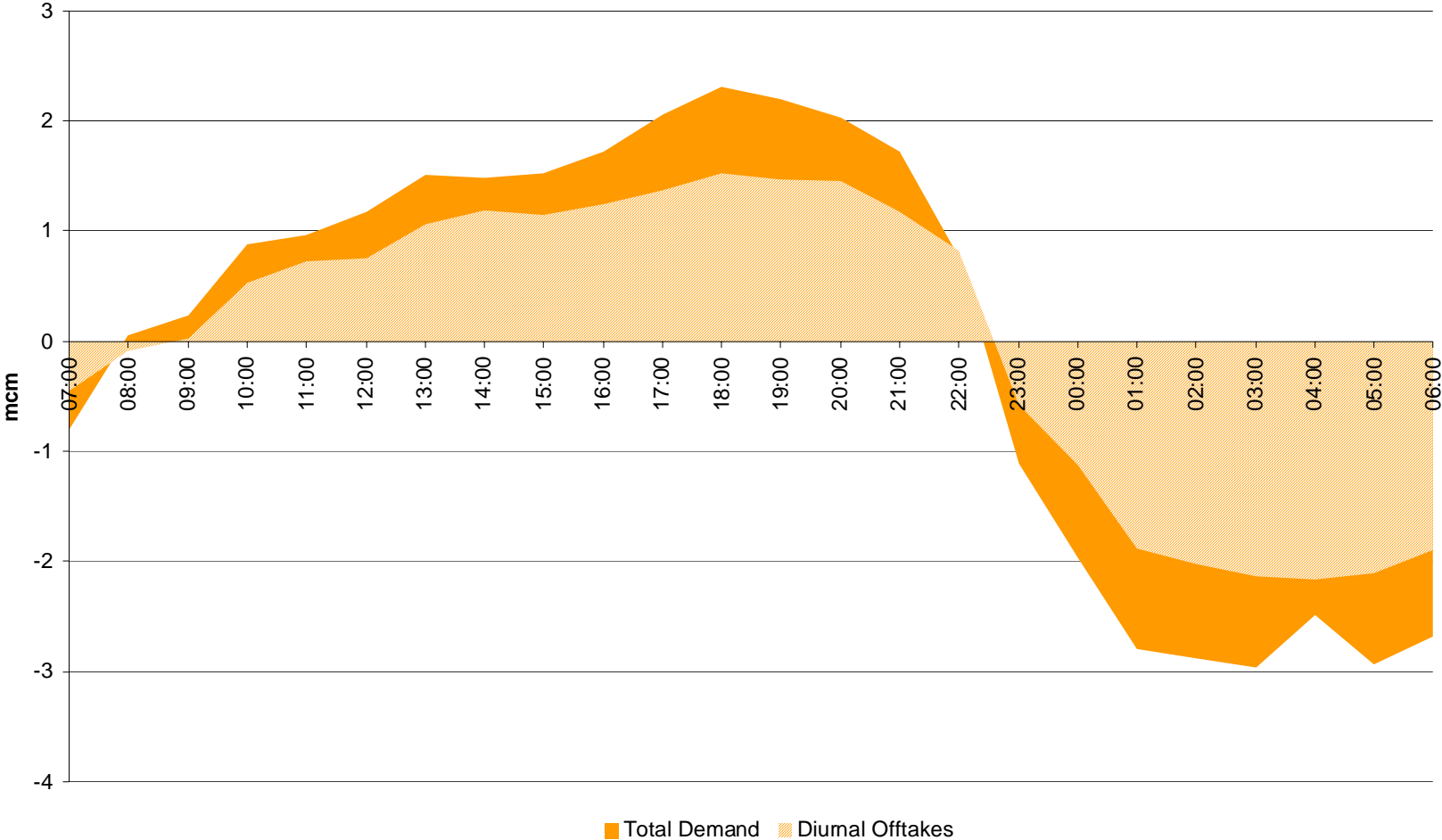
Breakdown of deviation from flat 1/24 on 7/12/10



Note: Initial findings using operational data which has not been formally validated

Demand profile on 7/12/10

Breakdown of Demand Profile deviation from flat 1/24 on 7/12/10

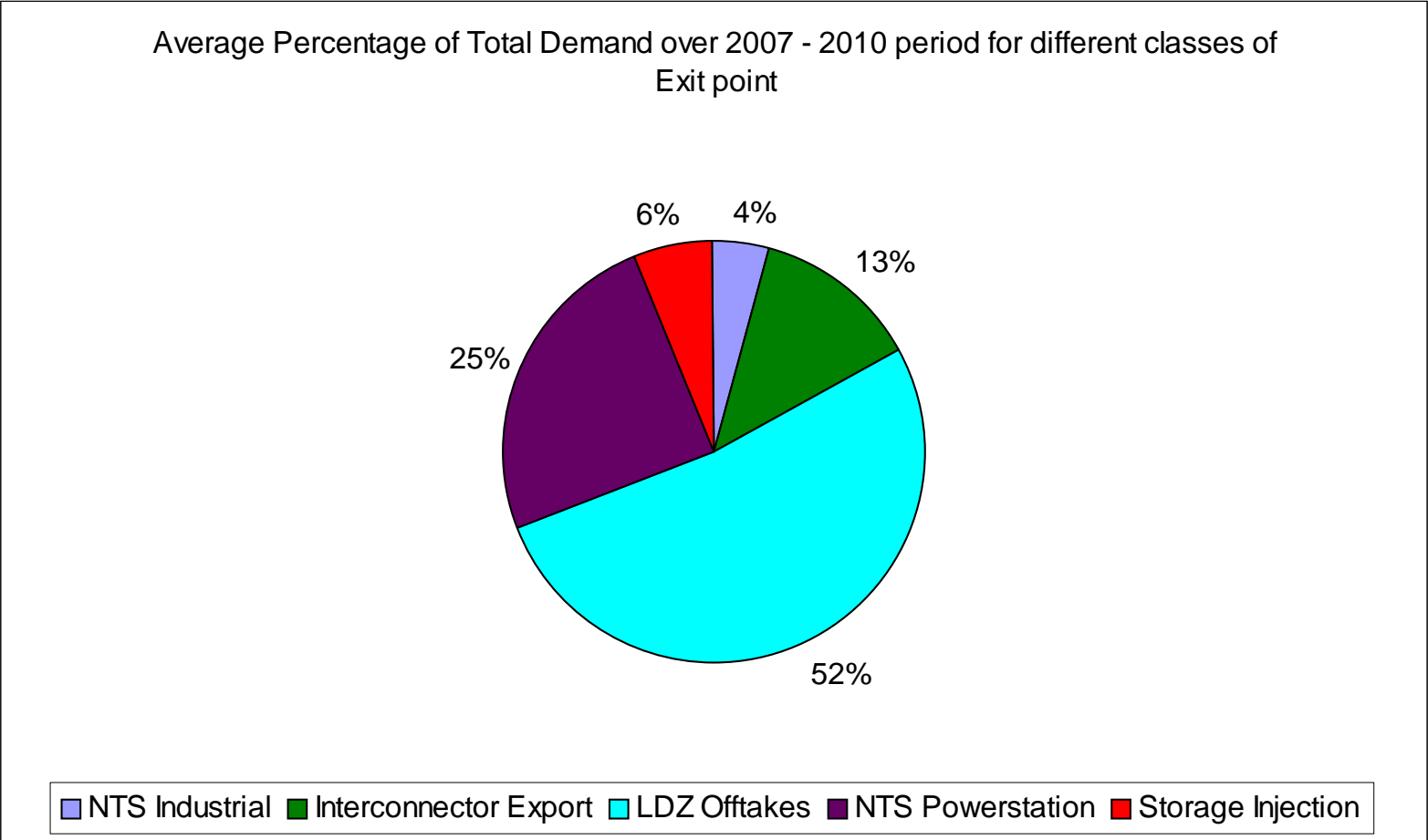


Note: Initial findings using operational data which has not been formally validated

Future Engagement on Use of System

- NTS has concentrated on the DN/NTS interface:
 - As this is the focus of the Capacity Working Group;
 - There is more certainty over the DN/NTS interface;
 - Currently DN loads account for over half total demand off the system (as shown in the following slide) and their aggregate “Flex” usage is higher than other groups of Users (as shown in slide 5)
- NTS also believe that drivers of investment on the system are changing such that the system will need to be more versatile going forwards:
 - However, NTS wants to engage more fully with its Users to understand their needs
 - This process has started via the Stakeholder engagement held as part of the RIIO process, but there is also a desire to create a specific industry group to discuss the issues (GNSG)

System Demand



NTS / DN interface (1)

- Propose the development of the OCS process to allow more transparency and to facilitate DN requests for incremental flex requirement
 - *However, it needs to be noted that the requirement for flex is highly dependent on the DN's pressure requirements (as the two are linked) and therefore there needs to be discussions regarding availability of pressure and flex together (the process could take this into account)*
 - *There will need to be a process for NTS to signal back the costs for providing this*
 - *Hence the current timetable for this process will need to be reviewed in order to allow investments to be identified*
 - *This could be done via separate bilaterals underpinning any investments including relevant User Commitment and charges for this (but this would necessarily set up a 1st come 1st served type approach and therefore there would need to be consideration as to how to manage this)*

NTS / DN interface (2)

- However, the development of the arrangements will need to take account of:
 - Implications of the 2008 Planning Act on lead-times to deliver any incremental capacity on both NTS and DNs
 - Potential role for Pre-works Agreements (PWAs)
 - Changes to the UNC
 - May include appropriate User Commitment
 - Changes to IS System
 - Changes to Charging Methodologies
 - EU compliance
 - Supplementary Agreements

NTS / DN interface Output measures and Indicators

- No fundamental change to Flexibility product for DNs (i.e. is for their Diurnal Storage usage)
- Output Measure should be the amount of NTS Flow Flex allocated
- Suggested indicators to inform this include:
 - Exit constraints actions (scaleback, exercise of options, forward contracts, buybacks of firm, within day flow reductions)
 - DN Flexibility Overruns
 - Short-term Flex Restriction Notice (SFRN) issued
 - OPN rejections
 - DN Flexibility Bookings and Utilisation
 - OCS Flex vs OPN Flex vs Actuals

NTS / DN interface Output measures and Indicators (cont.)

- Suggested indicators to inform this include:
 - Hourly zonal linepack
 - Frequency of linepack changes at particular thresholds
 - Max daily range of linepack changes
 - Within day demand variation sector
 - OPN variation within day
 - Compressor usage pattern
- Also need to consider whether there should be different obligations regarding Flex and Pressures at different demand levels