

The Q & A's contained in this publication are intended as a record only of the exit capacity processes workshop held on the 18th March 2009 and the recipient should not rely on such record as a substitute for the UNC and the Licence. In the event that any information contained in this record conflicts with the UNC or the Licence, the UNC and the Licence shall prevail.

Q1. Can I reduce my capacity later than the reduction window in July 2009?

Yes, if there is no User Commitment associated to that capacity and the reduction does not take the User into a negative position (including any capacity sold to other Users via trades). If a User was initialised in May 2009 and did not request any additional capacity in any of the subsequent enduring capacity processes then they could place a reduction in 2009 or 2010 or 2011 commencing on 01-Oct-2012. A reduction could also be placed in the July-2012 reduction window for Oct-2012 but this would only be accepted at National Grid NTS's discretion i.e. unless National Grid NTS can utilise the capacity.

Q2. What happens at initialisation if I had been allocated more than my baseline in the Transitional period?

As part of the initialisation National Grid NTS will not allocate, in aggregate, any more than the baseline. However, the industry have raised concerns regarding this question during the informal Exit Capacity Release Methodology Statement (ExCR), as such National Grid NTS have consulted upon this within the formal ExCR consultation (specifically within the letter accompanying the ExCR).

Q3. (ties in with Q2) What if I want capacity up to the pre-initialisation level?

Depending upon the ExCR consultation, the User would need to re-apply for that capacity above their initialised level via one of the release mechanisms.

Q4. Do all Users at an NTS Exit point have to agree to a Booking Agent for such an agent to be valid?

Yes, all relevant Users (any Registered User) at that NTS Exit Point must notify National Grid NTS of their appointment of the Booking Agent and the notice shall state the agreement of the Booking Agent. On the Booking Agent form the Agent lists all of the Users and provides evidence (potentially a letter) of their acceptance.

Q5. What period is the assessment of Registered Users carried out until?

The legal text states all Registered Users as at 31/03/09. For Storage sites the definition of Registered Users will be based on those Users that have Exit allocations between 01/10/07 and 31/03/09.

Q6. What happens if a new User says no to the Booking Agent?

This doesn't really apply to the Booking Agent process as the Booking Agent applies for the initialisation process only.

If the new User said no to the Overrun Users this would mean that the Overrun User would fall away.

Q7. Will National Grid NTS publish the unsold quantity?

The Unsold quantities will be published as part of the Annual invitation letter.

Q8. Is a User able to procure Off-Peak capacity at the Day ahead stage?

National Grid NTS

Yes, the only off-peak product available is the Off-Peak Daily NTS Exit (Flat) Capacity made available on D-1 (day ahead of gas flow). Users can place their Off-Peak Daily NTS Capacity bids from D-7 onwards.

Q9. Are there any circumstances by which the site would not be included in the Licence?

None that National Grid NTS can think/are aware of.

Q10. Would a CSEP site need to be set up as a new NTS Exit Point?

This will depend upon the User requirements; if the User is connected via an existing NTS Exit Point then the site would not need a new NTS Exit Point to be set up.

Q11. How will the User know if they have met the Ad-Hoc thresholds (10GWh or 125% of baseline)?

The User should apply in accordance with these criteria. National Grid NTS will check the thresholds as part of the Ad-Hoc Application form receipt.

Baselines are published in National Grid NTS's GT Licence.

Q12. If a User requests a capacity lead time with less than 38 months lead time – would this provide enough time to build?

Initial informal discussions would take place between National Grid NTS and the User to discuss the Users requirements and to refine options. National Grid NTS would not accept the requested capacity date unless it felt able to meet the Users capacity requirements (could be via investment).

The Demonstration Date would form a key part of the Ad-Hoc and ARCA discussions as this is likely to be set before any commitment to major expenditure such as ordering materials. The timing of the Demonstration Date is likely to vary from project to project and will be discussed and agreed on a project basis as part of the ARCA or Ad-Hoc Processes. Significant project costs are likely to be incurred over a 2 ½ year period.

The key for all of the processes is dialogue between the parties.

Q13. How do the security arrangements work, specifically with regards to ARCA's?

In terms of the Enduring ARCA, the specific security arrangements will be specified in the ARCA. The intention is that the Enduring ARCA will contain the 4 year User Commitment principles. The specific financial security will be contained within the Enduring ARCA in respect of this commitment.

Q14. Do ARCAs apply to DNs?

For clarity where this document discusses ARCAs in respect of DNs it only relates to ARCAs between NTS and the DN, it does not refer to any ARCAs that the DN enters into downstream of the NTS/LDZ offtake.

In the Transitional period (for capacity required between now and 30-Sep-2012) DN's could enter into an ARCA with NTS. In the Enduring period (post 01-Oct-2012) only Developers would be able to enter into ARCAs; Shipper and DN Users would be able to apply via the Enduring Annual Application processes (July window and/or Ad-hoc process).

Q15. Could the Applications be rejected?

Applications could be rejected in accordance with the ExCR principles and under the UNC (for example credit reasons).

Q16. Is the allocation dependent upon investment?

The allocations are not dependent upon whether National Grid NTS invest. Investment is one of the options that National Grid NTS has to meet its obligations and the User's capacity requirement. It is National Grid NTS's decision as to how it meets the User's requirement and this will be in accordance with the ExCR.

Q17. How do Users get charged for their User Commitment?

Users will be invoiced for their capacity the month after use, based on actual NTS exit capacity prices; this will include Enduring Annual NTS Exit (Flat) Capacity which has associated User Commitment.

Q18. How do Users obtain NTS Exit Capacity?

Users will be initialised according to the rules laid out under Modification Proposal 0195AV prior to having to apply for any capacity themselves. Users can obtain Enduring Annual NTS Exit (Flat) Capacity via the July or Ad-Hoc window. There are other Application/Auction processes in the medium and short term that facilitate the release of NTS Exit (Flat) Capacity based on unsold quantities, National Grid NTS discretion and in the case of Off-Peak NTS Exit (Flat) Capacity via pre-determined calculations and National Grid NTS discretion.

Q19. How do Users move the 4 years User Commitment onto another User i.e. another User has taken over that NTS Exit Point?

Users could transfer their holding (liability to National Grid NTS remains with the original User) or could assign their holding. The assignment process enables Users to assign all of their rights, liabilities and obligation on to another User from a particular date (this includes any User Commitment). The User that these rights, liabilities and obligations have been assigned to then takes responsibility from that point onwards. Please note that this is all or nothing there is no partial assignment and no assignment to multiple Users.

The assignment rules were covered in the slides presented on the 27th January and these have been published on National Grid NTS's web site.

Where a User reduces their holding (in accordance with the UNC and the ExCR) then another User could apply for an increase at the same NTS Exit Point.

Q20. Do Users have to fax information?

Yes as this is a defined form of UNC Communication. The UNC does not allow for e-mail communication but National Grid NTS are asking for both to make the processes run as smoothly as possible.

Q21. How long will it take for National Grid NTS to provide a receipt?

National Grid NTS will endeavour to provide a receipt within the same day, or in any case not later than the following business day

Q22. If a User wishes to modify their application do they have to withdraw it first?

The User does not have to withdraw their application to modify it. The forms provide the facility for User's to modify their Applications.

Q23. Why is October Y+4 on the Ad-Hoc slides i.e. the latest date that can be requested?

The aim was to provide a mechanism where shorter lead times could be met. However, the aim is for most applications to be within the July window.

An Ad-Hoc application can only be made for the 01-Oct-2012 onwards. If a User requests NTS Exit (Flat) Capacity via an Ad-Hoc application after July-2009, the Y+4 counts from the next July application window i.e. July-2010 for Oct-2013. In the enduring regime a User can submit an Ad-Hoc application for between 6 months ahead and October Y+4.

Q24. Do 4 years User Commitment apply to Ad-Hoc applications?

Yes, 4 years User Commitment applies to Ad-Hoc applications.

Q25. Is there any application fee for Ad-Hoc applications?

There are no application fees for Ad-Hoc applications.

Q26. Does an NTS Exit Point need to be in the Licence?

As required by the ExCR an NTS Exit Point needs to be in the Licence for National Grid NTS to make NTS Exit (Flat) Capacity available at that NTS Exit point via the various mechanisms.

Q27. Why can an Ad-Hoc application only be submitted between October and June?

National Grid NTS preferred one window where all Users had the same opportunity to apply, this would also allow National Grid NTS to have all the data in one go and be able to plan the network from this data. It is National Grid NTS's understanding that Users wanted the ability to signal their requirements when they became aware of them i.e. outside of the July window.

Q28. When does User Commitment apply to applications that have been submitted?

The User Commitment applies from the capacity registration date and the User pays for their NTS Exit (Flat) Capacity holdings the month after use.

Q29. What does Y+2 mean?

This is based on Gas Years (October to September); if we are in a Gas Year this is classed as Y if you then look at the next year this is Y+1 and so on. For example July 2009 = Y, October 2009 to September 2010 = Y+1, October 2010 to September 2011 = Y+2 etc.

Q30. If a User requests a reduction in 10 months time and National Grid NTS do not allocate this reduction (as not able to utilise the capacity) is the request defaulted to October Y+2?

The reduction is defaulted to October Y+2.

Q31. If a reduction is entered for Y+2 is it just allocated?

The reduction would be allocated subject to there being no outstanding User Commitment and that the User has no negative holdings if the reduction were allocated.

Q32. The Ad-Hoc application increase request is a minimum of 6 months in advance, the Ad-Hoc reduction could be less than 6 months? If so why is there a mismatch?

This is correct; the Ad-Hoc reduction will only be issued by National Grid NTS if there is an application increase. Although National Grid NTS could open an Ad-Hoc reduction "window" earlier than the Ad-Hoc increase date, National Grid NTS anticipates that it will only ask for reductions from the Ad-Hoc increase date.

Please note that the Ad-Hoc increase and decreases are completely separate processes. An Ad-Hoc reduction could be utilised to meet July application increases and Ad-Hoc increases.

Q33. How will the request for the NTS contact list be sent out?

This will be sent out via the Joint Office and will also be available to National Grid NTS web subscribers.

Q34. Is the earliest time that a reduction can occur in 2011?

The earliest date that a reduction could be submitted for October 2012 is July 2009; the latest date that a reduction could be entered with effect from October 2012, meeting the 14 month notice period (i.e. guaranteed to be accepted subject to User Commitment) is July 2011.

Q35. Is the authorisation to become a Booking Agent supported by a letter or E-Mail?

The Booking Agent will fill out the Booking Agent Form and provide supporting information. The supporting information requested on the Booking Agent form will require the relevant Users signature and as such National Grid NTS would require a letter from the relevant User containing the signature.

Q36. Has anyone already become a Booking Agent?

This process only starts with effect from 1st April; as such no-one has become a Booking Agent.

Q37. Is the 2 ½ years described around the Demonstration Date the investment lead time? (see question 12)

The default lead time is 38 months. This can be varied subject to permits. References to 2 ½ years relate to the period over which significant costs can be expected for a pipeline project. These costs will typically include long-lead time materials.

Q38. What are the processes for Off-Peak NTS Exit (Flat) Capacity?

These are covered in the UNC but are not covered as part of this workshop; further information will be provided nearer to the date that the auction goes live (first bids can be placed from 24th September 2012 for 01st October 2012).

Q39. Can I apply for a single year's capacity?

The application for Enduring Annual NTS Exit (Flat) Capacity is not for a single year, although the User applies for Y+4 there will be 4 years User Commitment. This then becomes an evergreen right. The Annual NTS Exit (Flat) Capacity application (commencing in July-2010) will enable Users to procure a years worth of capacity (for Y+1, Y+2 and/or Y+3) - National Grid NTS's will make available any unsold obligated capacity in this application process.

Q40. Does the Flat Capacity Application form/process apply to the DNOs?

DNOs will be required to book NTS Exit (Flat) Capacity via the same Applications as Shipper Users, although pressures and Flex are submitted via a different form.

Note: Based on comments made by DNOs present further discussions may take place between National Grid NTS and the DNOs regarding the use of the appropriate forms.

Q41. The Flexibility information is in kWh on the form, planners work in mcm/d, could the form be amended?

The form has been amended.

Q42. Are the prices paid the same for initialisation, Enduring Annual and Annual?

The same price will be paid for the same year irrespective of whether the capacity was initialised or purchased via Enduring Annual or Annual application processes.

The indicative price is published before the application window invitation letter is issued each year. The indicative prices will be used as the basis for calculating User Commitment.

However, the actual price paid by the User will be published in the Gas Year before the capacity will be used i.e. for October 2012 capacity (including initialised) the actual price will be published in 2012.

Q43. Why are the Offtake Capacity Statement (OCS) and Offtake Pressure Statement (OPS) on the same form and Flat separate?

National Grid NTS has applied the same Flat Application form to all Users. In terms of the OCS and OPS National Grid NTS believes that it was appropriate to have these pieces of information in the same form (as is currently the case in the OCS). However as stated above National Grid NTS would welcome any view and recognise that further discussions may be required.

Q44. Is there a Unique Reference number for every form?

When the form is saved, a unique reference number will be generated automatically and is a combination of User Gemini BA code, Exit Point, date and time. The reference number is unique to each form and also allows clear identification of user and sites concerned throughout the application window.

Q45. Could an Ad-Hoc reduction apply at multiple NTS Exit Points? At a new NTS Exit Point could unutilised capacity be moved from an existing NTS Exit Point?

The Ad-Hoc reduction will be related to an application at the same NTS Exit Point. Once substitution is implemented it is likely that an application could be met by reductions at one or more NTS Exit Points.

National Grid NTS does not anticipate moving baselines and hence unutilised capacity from one NTS Exit Point to another until substitution has been implemented.

Q46. Could National Grid NTS look at using date/time rather than a unique id?

National Grid NTS will consider this approach.

Q47. How will the September process be feedback to the DNO's?

National Grid NTS will discuss with the DNOs.