

CAPI68
Further thoughts from the proposer

Introduction

ConocoPhillips has proposed CAPI68. This note develops thoughts on how such a TEC feasibility test and TEC under-use charge might be defined and applied as part of a more holistic approach to promoting secondary trading in TEC (including the provision of relevant information to better inform participants), which is one of the primary objectives of CAPI68).

Six steps are set out below to describe the calculation and apply under-use charge under CAPI68.

Description

Feasibility test (step 1)

- Each year the generator would need to show to the SO that it could meet a feasibility test. Demonstration of this would be in the first instance on the basis of historic out-put. If a TEC holder had operated at its TEC it would pass the test.
- In the event that a TEC holder did not meet the test, the generator would be able to provide a rationale for reduced operation due to either (a) exceptional factors historically (e.g. long-term outage) or (b) change in future output due to remedial plans or new investment works such that it would be able to use its TEC in future years.
- If the rationale provided by the TEC holder is not sufficient, the SO may require the production of an engineering report at the TEC holder's cost. If there were still a dispute, there would then be an appeal to the regulator.
- In the event the SO after due process the regulator upholds the SO's assessment and it decided to reduce the TEC then an adjustment would be made to the relevant bilateral contract.

Annual notification (step 2)

- The TEC holder must provide to the SO an annual non-binding notification of any major planned works intended for the site in the subsequent year and their expected impact on export capability and timing. This notification would be non-binding. This notification would be required no later than the end of January each year for the following operational year commencing in April.

Five week ahead monthly notifications (step 3)

- The TEC holder would be required to provide a notification by the fourth week ahead of the forthcoming calendar month covering its expected highest injection expressed in TEC over that month. For example no later than the fourth week in February it would provide an estimate of its expected maximum TEC for April. This estimate would be treated as a firm value for the basis of calculating the under-use charge.
- The TEC holder would also provide indicative maximum TEC estimates for the ensuing two months (in this example May and June), but these would be for information only.
- Subsequently no later than the final week in February the TEC holder would then give a firm value for May and again this would be firm for the basis of calculating any under-run charge, with indicative values for June and July also being provided, and so forth over the course of the year.
- The SO would then post its estimated volumes by zone of TEC available for transfer, together with any relevant exchange rate information.
- TEC trades are then transacted according to the availability and exchange rates notified over the bulletin board.

Two day ahead daily notification (step 4)

- TEC holders may offer at the two day ahead stage any additional TEC that it is not expecting to use. This TEC be offered at a price at the discretion of the seller. Irrespective of whether a purchaser.

Calculation of under-use volume (step 5)

- The under-use volume shall be calculated as the difference between the firm monthly TEC notification provided under step 4 and the actual output. The actual output shall be measured as a monthly average value. Any volumes offered for sale at the two day-ahead stage for a sum no greater than the TNUoS that the TEC holder is paying shall be deducted from the under-use volumes.
- Also deducted from the under-use volume would be any TEC the generator needs to keep available to meet any balancing needs instructed by the SO (either through balancing service contracts or through BM acceptances). In such cases the SO will be deemed to have acquired the TEC on the generator's behalf.

Calculation of under-use charge (step 6)

- The under-use charge shall be applied as a function of the under-use volume where the under-use volume is greater than 5MW.