

**The Q & As contained in this publication are intended as a record only of the exit workshop discussions on 27<sup>th</sup> January 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.**

## ARRANGEMENTS IN THE TRANSITIONAL PERIOD

### **Q1. What is the status of ARCAs, can they be signed between now and October 2012?**

ARCAs can be signed between now and October 2012.

If a request is for first gas flow before 1 October 2012 Shippers, DNOs and Developers can use the existing ARCA process.

If a request is for first gas flow after 1 October 2012 then Users should apply for Capacity using the rules set out in Modification 0195AV e.g. Annual Application Window, ad hoc application process, daily auctions etc. Only Developers can sign ARCAs for first gas flow after 1 October 2012.

### **Q2. For the avoidance of doubt, service up to 2012 will be as now?**

Yes. All arrangements that were in place prior to 0195AV being approved remain in place for the transitional period. E.g. if you are currently required to book annual strips of capacity on Gemini, you would need to continue doing that for 2009/10, 2010/11 and 2011/12.

## INITIALISATION

### **Q3. How are new sites first using Capacity in the transitional period initialised?**

New Sites where Capacity is first made available to Users in the transitional period (1 October 2008 – 30 September 2012) will be given an initial amount of Enduring Annual (Flat) Capacity that equals the amount held by the Registered User on 30 September 2012. The User will be told of their initial amount no later than 10 days after the first Capacity registration date. Refer to Transition Document 8.2.7.

### **Q4. How will ARCAs signed in the transitional period be initialised?**

Where an ARCA is signed in order to reserve Capacity that will be first used in the transitional period (1 October 2008 – 30 September 2012), a User that has registered that Capacity will be given an initial amount of Enduring Annual (Flat) Capacity that equals the amount held by the Registered User on 30 September 2012. The User will be told of their initial amount no later than 10 days after the registration of the Capacity that has been reserved by the ARCA. Refer to Transition Document 8.2.3.

### **Q5. Does a site need to be taking gas prior to 2012 to be initialised or just have an ARCA signed?**

Capacity must be registered before 1 October 2012 in order to be initialised.

### **Q6. If you are currently firm, and got additional firm during the transitional period, would you need to apply for this additional level for the enduring period, or would you be initialised to that level?**

Initialised values would be scaled back to baseline. If an ARCA was signed, then this would get a further initialisation. Any incremental capacity required above this level would have to be applied for through the application rules in 195AV.

**Q7. For the initialisation process for DNs, why is the OCS level for 2011/12 (agreed in Sep 2008) used and not 2012/13 as 2011/12 is square bracketed in the Modification Proposal?**

In 0195AV all dates were written with square brackets around them, pending the outcome of Modification Proposal 0198 which proposed extending the transitional period for one year until 30 September 2012. The dates in square brackets would then all be rolled on by one year when it came to drafting the legal text for 0195AV if 0198 had been approved by that point – which it was.

Modification Proposal 0195AV stated that Users would be granted an initial amount of Enduring Annual (Flat) Capacity based on quantities held by that User prior to the submission of the Proposal. In relation to NTS/LDZ offtakes, this would constitute the capacity registered to the DN for Gas Year [2011/12] as stated in the [2007] Offtake Capacity Statement. According to the principle above, these dates would then roll on to 2012/13 and 2008 respectively.

When drafting the legal text for 0195AV it was thought that the above dates in the Modification Proposal were incorrect as the OCS statement agreed in 2008 would only include a forecast for 2012/13. A comparison was made with the legal text for Modification Proposal 0116V – which stated that the 2006 OCS statement agreed for the year 2009/10 would be used to initialise the DNs. Therefore, it was agreed with the proposer that the [2011/12] date included within 0195AV was a mistake and should have read [2010/11] – this was therefore rolled on one year to take account of Modification Proposal 0198 and was included in the legal drafting as 2011/12.

**Q8. How is a firm User's initialised level impacted by an interruptible User's rights at the site?**

Initialised rights are calculated from each User's peak firm booking for Gas Year 2007/2008 + peak interruptible flow for 2007/2008. The aggregate initialised amount at the NTS Exit Point will be scaled back to the enduring baseline. Interruptible holdings would be scaled first, followed by firm holdings and so a Firm User's initialised level would not be affected by interruptible holdings at the site.

**Q9. Could the initial amount of Enduring Annual (Flat) Capacity given to a User be below the User's current firm level in the transitional period?**

Yes.

**Q10. During the initialisation process are sites scaled back to baseline on a zonal or nodal basis?**

Each User's holdings at each NTS Exit Point are scaled back according to the baseline at that NTS Exit Point i.e. at a nodal level.

**Q11. Does National Grid NTS have a view about how many sites will be scaled back during the initialisation process?**

Work is ongoing and all the initialisation values will be published to users on 1<sup>st</sup> May.

**Q12. How do users and interested parties access the list of exit baselines?**

The list of enduring exit baselines was annexed to the note sent out by the Joint Office on January 21.

They can also be found in National Grid NTS' Licence in respect of the NTS ('the Licence') which can be found on Ofgem's website

[http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=13292](http://epr.ofgem.gov.uk/document_fetch.php?documentid=13292)

**Q13. Are baselines made available from 1<sup>st</sup> May ?**

The baseline figures are already available in the Licence and are appended to the communication sent out via the Joint Office on January 21<sup>st</sup>.

**Q14. For initial allocations there is no user commitment, what are the implications of this?**

This allows Users to reduce their initial holdings down to 0 if they wish prior to the enduring period beginning (subject to no further application on top of the initialised value). The initial allocations are not subject to 4 years' User Commitment.

**Q15. If no booking agent is appointed for a site, will National Grid NTS deal with all the individual shippers at that site?**

Yes.

**ANNUAL WINDOW / AD HOC APPLICATIONS**

**Q16. For interconnectors do individual shippers need to book their own capacity?**

In the enduring world all NTS Exit Points will be treated the same and Shippers will book their own Capacity at an NTS Exit Point. However there are provisions for appointing an agent.

The key point for Interconnectors is that the Downstream Capacity Holder Certificate system will no longer exist, as far as the NTS is concerned.

**Q17. If we apply for Enduring Annual (Flat) Capacity through the Annual Application Window will we get firm capacity rights from October Y+4?**

It is anticipated that capacity rights will be released from Y+4, unless permits are either played to extend the lead time or gained to reduce the lead time. The release of Capacity will also be subject to the ExCR and licence obligations.

**Q18. Although you have booked an annual product, could the price change half way through the year as National Grid NTS is entitled to adjust its charges in April?**

Potentially yes, however National Grid NTS would not envisage changing the Capacity Charge on 1<sup>st</sup> April as it is envisaged that any adjustment for over or under recovery would be dealt with via the Commodity Charge. Please refer to GCM05.

**Q19. Aren't permits played or gained after application on exit rather than upfront in the invitation letter?**

The Licence is vague in relation to this matter but National Grid NTS believes that it is more beneficial for Users if permits are either played or gained upfront so that Users are aware of

the lead time associated with Capacity when they are applying for it. This will form part of the ExCR document.

**Q20. Can you gain permits for 2009 applications?**

No, as National Grid NTS cannot bring Capacity delivery forward into the transitional period. Permits however could be played in relation to applications made in 2009.

**Q21. Why do users need to Inform National Grid NTS of applications that they may make during the application window by 1<sup>st</sup> March (in line with note published by JO on 21 January)?**

National Grid NTS anticipates only making capacity available at those points listed in the Licence (Special Condition C8E, Annex A, Table 2), as such National Grid NTS needs to know about potential applications in advance of the application window. National Grid NTS also needs to publish indicative prices 2 months in advance and would need to include any new sites / potential increases in the model to generate indicative prices. To deal effectively with a request for incremental Capacity National Grid NTS requires revenue drivers as this impacts National Grid NTS' view as to whether:

- Permits needs to be played/gained
- Investment is an appropriate option
- Commercial mitigation is an appropriate option

**Q22. Doesn't the user commitment requirement cover this off?**

Funding for incremental signals is independent of the charges at the site. Depending on the level of funding, National Grid NTS will determine what works or contractual solutions are appropriate.

**Q23. If you book Enduring Annual (Flat) Capacity for utilisation from 2012 what price would you pay?**

That set out in the prevailing Transportation Statement at the time of utilisation. This will be published in the summer of 2012.

**Q24. What flat, flex and pressure figures are made available to DNs in September?**

Indicative flex and pressure figures are made available to DNs on the 15<sup>th</sup> September. Final allocations are made available on 30<sup>th</sup> September.

**Q25. What is the process for DNOs to gather shipper requirements for incremental capacity at DN offtakes?**

This is not for National Grid NTS to answer.

**Q26. Was anyone planning to use the ad-hoc application process prior to July 2009?**

Users should consider this question in their responses to UNC Modification Proposal 0241.

**Q27. Will the Enduring annual application process be carried out using Gemini?**

All processes will be carried out off line (i.e. not on Gemini) in 2009.

## ARCAS

### **Q28. Can the ARCA be used to reserve capacity under the enduring arrangements?**

ARCAs can only be signed by Developers and can be signed for New Sites or for Existing Sites where the incremental capacity being requested is greater than 10GWh/day or 125% of the prevailing baseline.

### **Q29. Can storage developers use the ARCA process to book Enduring Annual (Flat) Capacity?**

Yes if they are not a User as defined in the UNC.

### **Q30. Does the ExCR define what a developer is? Can a User set up different companies?**

Inherently yes as a Developer is anyone who is not a User as defined in the UNC. National Grid NTS expects Users to apply via the ad hoc/annual processes.

### **Q31. Could the developer be upstream or downstream of moffat?**

A Developer is anyone who is not a User as defined by the UNC.

### **Q32. Is it appropriate to limit developers to the same window as the ad-hoc process as they are not signatories to code and developers can't apply by the annual window anyway?**

The aim is to provide non-discriminatory treatment for all parties. ARCAs will generally follow the rules for the ad-hoc process, however during the period July – September when the ad-hoc process is suspended, a more flexible approach from both parties will be required.

## DEMONSTRATION DATE

### **Q33. What is the purpose of the demonstration date?**

Its purpose is to ensure that National Grid NTS has confidence that the developer/user has sufficiently developed the scheme and sourced appropriate funding to allow the scheme to proceed before it invests significant funds in the required reinforcements.

### **Q34. Does this mean that National Grid NTS will not do any work until the demonstration date has been met?**

No, it is likely that design and development work will have been done prior to this date. The timing of the demonstration date will need to be set to allow initial development to be carried out without jeopardising the delivery date.

### **Q35. Is there a definition of the demonstration information that will need to be provided by the demonstration date?**

No, this will vary depending upon the project, but will be agreed upon between National Grid NTS and the developer / user at the time that the offer is made/accepted or ARCA signed. The guidance document will contain examples of the type of information that might constitute demonstration information.

**Q36. Is there a demonstration date process if a user applies via the annual application window?**

No.

**Q37. When will demonstration date guidance be published?**

It is the intention that this would be published before 1 April 2009.

**USER COMMITMENT**

**Q38. What is the user commitment level based upon?**

Please refer to the ExCR document.

**REDUCTIONS, ASSIGNMENTS AND TRANSFERS**

**Q39. Do the reduction rules mean that user commitment is only 14 months and not 4 years?**

No, users cannot reduce their Capacity holding within the 4 year user commitment window (unless National Grid NTS agrees to the request at its discretion, if it can use the Capacity at the same Exit Point for example). The 14 month rule for reduction only applies when no user commitment is in place.

**Q40. When is assignment effective from?**

The facility becomes available on 1 August 2011 and can apply to Capacity holdings from 1 October 2012 onwards (the same rule applies to transfers).

**Q41. Are assignments permanent?**

Yes.

**Q42. When an assignment is carried out, does everything move across to new user, including impacts of overruns (charges and deemed applications)?**

National Grid NTS believes so, but see answer to Q67.

**Q43. Do assignments only apply to all of a users holding at a site?**

Yes, assignments of part holdings are not permitted.

**Q44. What if a party only wanted to assign part of the rights at a site?**

A User can only assign all of their rights at a site. A User can however transfer part of its rights, or could also reduce part of its rights or reduce to 0.

**Q45. How does assignment align with the site registration process?**

The two processes are de-linked in the enduring world and a User would need to deal with both separately i.e. the capacity and Supply Point Administration processes are separated.

**Q46. Will the assignment process be systematised?**

This is likely to be the case.

**Q47. Do developers have the opportunity to novate their rights once an ARCA is signed?**

Not via the UNC. Note: Users can assign.

**Q48. When do assignments and trades come into effect?**

The assignment and transfer functionality comes into effect on 1<sup>st</sup> August 2011 but can only apply to Capacity held from 1 October 2012 onwards.

**Q49. Do transfers only apply for a single day?**

There is no time limit on transfers but the minimum is one day.

**Q50. Are there any minimum amounts set for the transfer process?**

No.

**Q51. For transfers, the rules states that transfers can be carried out until 0400 on D with 60 minutes for National Grid NTS to reject the transfer, however Gemini is not available from 0400 each day?**

These are the rules as stated in the mod / legal text. National Grid NTS appreciated the point made and will consider this going forward.

**Q52. If you have some spare capacity available on a day can you sell it?**

Yes.

**DAILY FIRM AND INTERRUPTIBLE AUCTIONS**

**Q53. Does the maximum of 10 daily bids per exit point apply to each user at that point?**

Yes, each user at that point has a maximum of 10 bids, rather than the overall total being 10.

**Q54. Is the MSPOR value similar to that defined in the NEXA?**

The intention of the Modification Proposal was that the value within the NEXA would be equivalent to the MSPOR.

Processes exist within the 0195AV text for both the User and National Grid NTS to adjust the MSPOR value.

**Q55. Is there a different reserve price for firm and interruptible capacity?**

Reserve prices will be specified in the relevant Transportation Statement. At the moment it is intended that the reserve price for interruptible capacity will be 0.

**Q56. Will the daily auction process be run on Gemini when it commences in 2012?**

Yes, that is the current intention.

## CREDIT

### **Q57. What credit requirements are required for overrun users and Exit Capacity Booking Agents?**

For overrun users it depends on whether they are going to book Capacity, if they are then they are likely to require some credit. If the user is purely a booking agent account then we don't believe that credit will be required as they are only acting as an agent.

### **Q58. Do the 12 month exit credit rules replace the current credit requirements i.e. outstanding invoices and average daily rate of the aggregate amount for the last month x 20?**

No, the 12 months are in addition to the existing rules.

### **Q59. With respect to credit rules, when is RG 221 due to complete and how will this impact exit credit rules?**

Our understanding is that Review Group 221 intends to complete prior to the next QSEC auction being held. It is envisaged that the exit credit rules will be reviewed once the outcome of Review Group 221 is known.

## INTERRUPTION

### **Q60. What lead times are in place for scaling back interruptible capacity?**

National Grid NTS can give notice of a scaleback no earlier than 0600 hours and no later than 0200 and in any case with not less than 4 hours notice.

### **Q61. Is there a reinstatement process for interruptible scalebacks as there is on entry?**

The wording of the relevant sections of the UNC on both entry and exit are the same and so it can be read that restoration also applies on exit.

### **Q62. Doesn't the 80% of peak day rule for off peak capacity effectively reintroduce the 85% rule for interruption of interruptible loads that was removed in 2005?**

The intention of the mod was to enable Users that wished to utilise interruptible capacity utilise it when the system had 'spare capacity' but not when there was no/reduced spare capacity. The proposer felt that this was an appropriate way to achieve this principle.

Response from the proposer: "The proposer considers that this rules based release of Capacity (set out in the UNC rather than the ExCR) gives customers the choice to amend planned exit flows at the day ahead stage - something that could be extremely difficult to do if the arrangements of such release relied on National Grid NTS' discretion. Users would in effect 'self-interrupt' and the proposer considers that this is different to National Grid NTS having the right to interrupt interruptible loads when demand exceeds 85% of the local peak day demand."

### **Q63. If a site was scaled back and then overrun against its scaleback level would it trigger the deemed enduring annual exit capacity application process?**

Yes.

**Q64. How are interruptible sites treated during stage 1 of a National Gas Supply Emergency in the Enduring Exit regime?**

Interruptible sites per se do not exist in the enduring exit capacity regime.

Where there is a transportation constraint, scaleback of Off Peak (interruptible) capacity will be utilised but will be used as a commercial tool, rather than as a direct mechanism under stage 1 of a National Gas Supply Emergency.

The wider question of how sites that are holding Off Peak (interruptible) Capacity rights are impacted under stage 1 of an NGSE is awaiting legal clarification.

**Q65. Will exit points be identified as firm and interruptible under the enduring arrangements?**

No. All NTS Exit Points will be treated equally. A site cannot be nominated as interruptible but can choose to only book interruptible capacity.

**Q66. Can Users who are currently at an interruptible site choose to book Firm Capacity?**

Yes.

**OVERRUNS**

**Q67. If a site overruns on more than 1 occasion how would this be reflected in the deemed application process?**

National Grid NTS believes that the overrun deeming process requires further consideration. At present it is National Grid NTS' view that if a User overruns in 1 year and then overruns in year 2 both overruns feed into the deeming process for the individual years. National Grid NTS believes the other deeming areas that need further consideration are:

- Use of unsold baseline in Y+1, Y+2 and Y+3
- The overrun user / deeming relationship
- Assignments / deeming relationship
- Credit

**Q68. Shouldn't deemed applications caused by overruns apply in years 1, 2 and 3?**

See question 67.

**Q69. What if I overrun but then don't make the required application in the next window?**

It is a 'deemed' application i.e. the intention is that the application will automatically be made on your behalf.

**Q70. What if a site overruns and therefore was included in the deemed application process but had insufficient credit to cover the incremental level?**

This requires further consideration.

**Q71. Would the deemed application process still proceed even if the overrun was in dispute?**

Yes. Until that dispute was resolved.

## OVERRUN USER

### **Q72. Would you need to be a shipper to be an overrun user or an Exit Capacity Booking Agent?**

You would need to be a party to the UNC to be an Overrun User and would need to be an Overrun User or a User Agent to be an Exit Capacity Booking Agent.

## PRESSURES

### **Q73. Do DN's see a situation where they would reduce pressure?**

Responses from DN's present at the workshop suggested that they could not envisage any circumstances where they would accept a pressure reduction.

## FLEX AND LINEPACK ZONES

### **Q74. Where are the exit zones specified?**

They are appended to the ExCR.

### **Q75. Where are the linepack zones specified, and do they align with the flex zones?**

They are appended to the ExCR. Exit zones are not necessarily the same as linepack zones.

### **Q76. When a New NTS Exit Point connects to the NTS, will an ExCR consultation be required in order to add in to the Exit Zone and Linepack Zone lists that are appended to the back of the document?**

This is being investigated.

## FLEX

### **Q77. How does the Ofgem decision letter implementing 0195AV impact on flex publication?**

It does not directly, but could have an effect depending upon exact requirements.

## CONSTRAINT MANAGEMENT

### **Q78. When do the constraint management tools come into effect?**

The first day on which interruptible scaleback could be used is 30 September 2012 relating to interruptible capacity held for 1 October 2012.

The within day flow reduction tool could first be used on 1 October 2012.

The first day that buyback offers could be accepted would be 30 September 2012 in relation to capacity held for 1 October 2012.

Exit Capacity Management Agreements could be entered into at any time from 1 April 2009 but would only be exercised in relation to capacity held from 1 October 2012 onwards.

## LICENCE

### **Q79. Where is the investment buyback limit of 0.52p/kWh specified?**

Annex B-1 Paragraph 3.10.

### **Q80. As well as the flex utilised, will the available flex headroom be published?**

The baseline flex capability i.e. 22mcm is specified in the Licence.

### **Q81. Is there an intention to review the baselines?**

We are unaware of any planned review.

## SUBSTITUTION

### **Q82. What is happening with exit capacity substitution?**

National Grid NTS has a licence obligation to submit an Exit Capacity Substitution Methodology Statement to the Authority by 1 April 2009. We have requested a derogation from this obligation.

### **Q83. If the substitution derogation is refused by Ofgem, is there a 2 year delay until it is introduced, as the Licence states that in respect of exit capacity registered on or after 1 October 2011, substitution shall apply?**

NB a consultation is expected in relation to the exit provisions in the Licence in order to correct the dates contained within it. The date above would be corrected to 1 October 2012 i.e. the start of the enduring period.

If National Grid NTS' derogation request was refused, National Grid NTS would be required to submit an Exit Capacity Substitution Methodology Statement to the Authority by 1 April 2009. That Methodology Statement should then apply immediately to all mechanisms releasing Capacity to be utilised in the enduring period. Substitution should therefore be applicable to release mechanisms from the date of approval, but would only apply to Capacity being utilised from 1 October 2012 onwards i.e. the enduring period.

### **Q84. How long is the substitution derogation that National Grid NTS has applied for?**

National Grid NTS has not asked for a specific period, but would expect it to be at least 1 year.