



**Modification Proposals 261 – Annual NTS Exit (flat) Capacity Credit  
Arrangements  
Comments from AEP<sup>1</sup>**

The Association welcomes the opportunity to comment on the draft modification report.

The Association supports this proposal.

Analysis undertaken by NG has shown that the overall risk from a shipper default with respect to exit capacity is small. However there is a risk similar to that identified at entry in mod 246 that Users can defer their capacity commitment by failing to post adequate security. In such circumstances the allowed revenue would then be recovered from other Users.

This proposal ensures that the User that has committed to secure exit capacity will face UNC sanctions if it does not post adequate security at the appropriate time, it can no longer allow the capacity to lapse.

We consider that the proposal furthers the relevant objectives;

SSC A11.1 (d) securing effective competition – Users will have a stronger incentive to only book capacity that is required and this should reduce the possibility of other Users facing additional costs to ensure allowed revenue is recovered.

However this also raises the issue of whether it is appropriate for allowed revenue to be adjusted to include revenue relating to capacity which has been signaled but not provided where the project does not proceed – but we recognize this is a licence issue and beyond the scope of this proposal.

Aug 28, 2009

---

<sup>1</sup> The Association of Electricity Producers (AEP) represents large, medium and small companies accounting for more than 95 per cent of the UK generating capacity, together with a number of businesses that provide equipment and services to the generating industry. Between them, the members embrace all of the generating technologies used commercially in the UK, from coal, gas and nuclear power, to a wide range of renewable energies.