



Modification Proposal 263- Enabling the Assignment of a Partial Quantity of registered NTS Exit (flat) Capacity - AEP¹ Response

The Association welcomes the opportunity to comment on this draft modification report. We believe it will provide a useful mechanism to enable capacity to be efficiently allocated to the appropriate shippers which will be particularly helpful at shared supply points, interconnectors and storage offtakes.

User Pays

The Association agrees with the proposer that this proposal should not be a user pays proposal. This also seems to be Ofgem's view as reported at the Transmission workstream on 1st October 2009, with the issue being whether or not this was actually part of the initial specification. We consider it may be challenging to determine exactly which particular set of business rules constitutes the original specification. We understand that to date the principle applied has been that reform was anticipated at the time of DN sales, so any costs of reform should have been contemplated in the agreed sale price. Since those early specifications of NTS exit reform there have been numerous iterations with some additional features being included and others excluded from proposal 195AV that was implemented. Hence we consider this test of what was included in the original specification to be rather difficult to apply in practice, as in principle there should be 'credits' for elements that were not necessary.

However it is clear that issues concerning the effects on competition at shared supply points and similar issues at storage offtakes and interconnectors were raised at the very early stages of discussion of NTS exit reform. It is perhaps true that these issues were not given adequate attention, with the focus being on capacity products, allocation, and user commitment. It is also the case with any significant reform that there are issues that need further refinement or enhancement to ensure the reforms work as intended or to addresses unforeseen consequences. These lead to further modification proposals being necessary. Whatever the history of this issue, it clearly should have been addressed as part of the original proposal.

Facilitating the Relevant Objectives

SSC A 11.1(a) efficient and economic operation of pipeline system.

¹The 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.

Allowing for partial assignment should further this objective since potentially spurious investment signals may be avoided

SSC A 11.1(c) efficient discharge of licensee's obligations

This objective would be furthered if the implementation of this proposal led to reduced requests for daily capacity.

SSC A 11.1(d) securing of effective competition

Competition between shippers would be enhanced where they have greater confidence in securing enduring capacity over relatively short timescales to meet their requirements rather than having to rely on short term products or potentially have to provide a signal for enduring capacity. This is particularly relevant at interconnectors and storage offtakes where there may be many shippers and offtake requirement may vary with downstream or storage contracts. But it is also helpful at shared supply points and other CSEPs, where there may be fewer shippers but this would enable the capacity to be assigned to reflect commercial supply agreements. An example may be where there is a CSEP serving an industrial site which has an associated CHP, both sites may be supplied by one shipper but in time the CHP scheme and the site move to different shippers. This would be a scenario where allowing partial assignment would help to align the capacity arrangements with commercial supply contracts.

Implications for Consumers

Consumers will have more confidence when negotiating new supply arrangements that the capacity can be assigning to match the contractual structure.

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