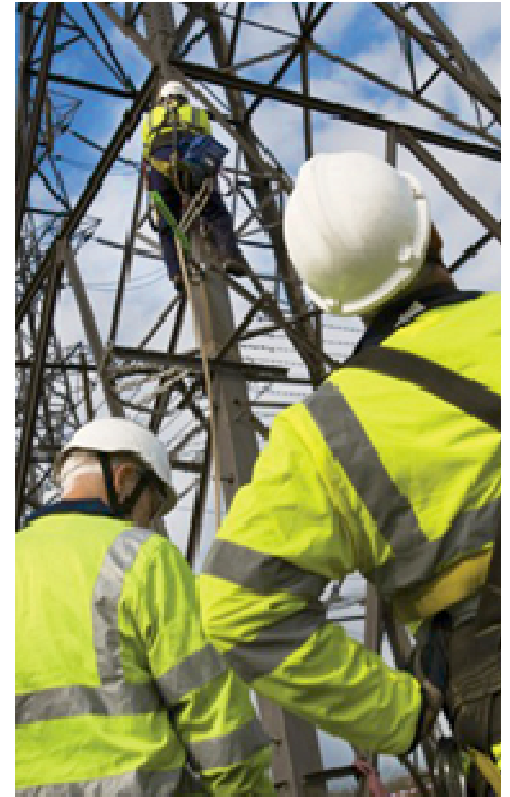


Exit Capacity Substitution and Revision

Indicative Timetable and Workshop Agendas, 25th November 2009



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Introduction

- ◆ The following slides, adapted from presentations to be made at the Distribution and Transmission workstream meetings (26th November and 3rd December 2009), show the process and timetable that National Grid intends to follow in order to develop proposals for exit capacity substitution and exit capacity revision as required by the Gas Transporter licence.

What does the Licence require?

Licence Special Condition SC8E states:

Section 3(c)(i)

substitute unsold NTS baseline exit flat capacity.....such that the level of NTS obligated incremental exit flat capacity is minimised.

Section 3(c)(ii)

revise the level of NTS baseline exit flat capacity.....in the event that the release of incremental obligated entry capacity changes the availability of NTS exit capacity.

Section 4(b)(i)

prepare and submit for approval by the Authority an exit capacity substitution methodology statement to be used in respect of 3(c)(i) above.

Section 4(c)(i)

prepare and submit for approval by the Authority an exit capacity revision methodology statement to be used in respect of 3(c)(ii) above.

NB – All references to flow flexibility have been removed so substitution and revision apply only to exit flat capacity.

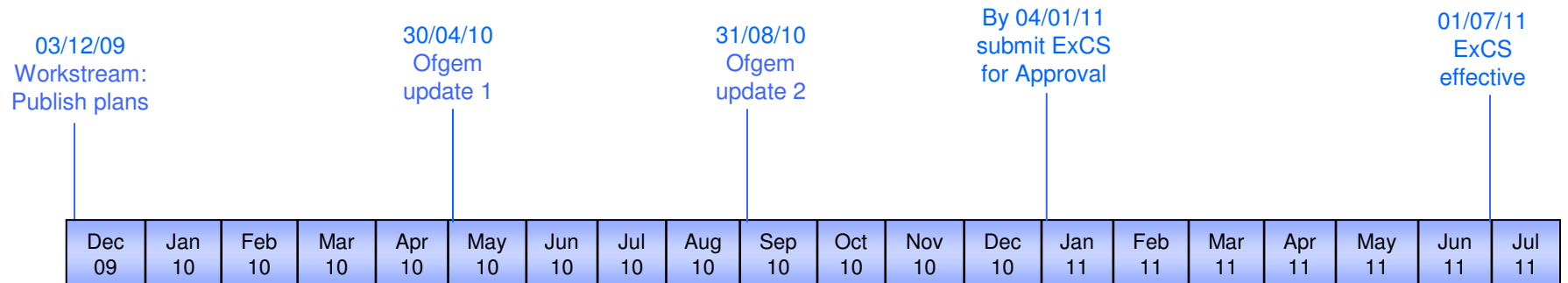
Background

In their letter delaying the introduction of the exit capacity substitution and revision obligations the Authority set the following key milestones.

- ◆ 4 January 2011: submit the methodology statement(s) for approval.
 - ◆ This would facilitate a decision by 4 April 2011 and implementation in the July 2011 application window.
- ◆ 3 December 2009: publish a timetable of planned exit substitution workshops on or before 3 December 2009 and to inform the transmission workstream accordingly.
 - ◆ The following slides are provided to satisfy this requirement.
- ◆ 30 April 2010 and 31 August 2010: submit interim reports to Ofgem setting out the progress to date together with NGG's assessment of their ability to ensure that implementation can be achieved as set out in the direction.

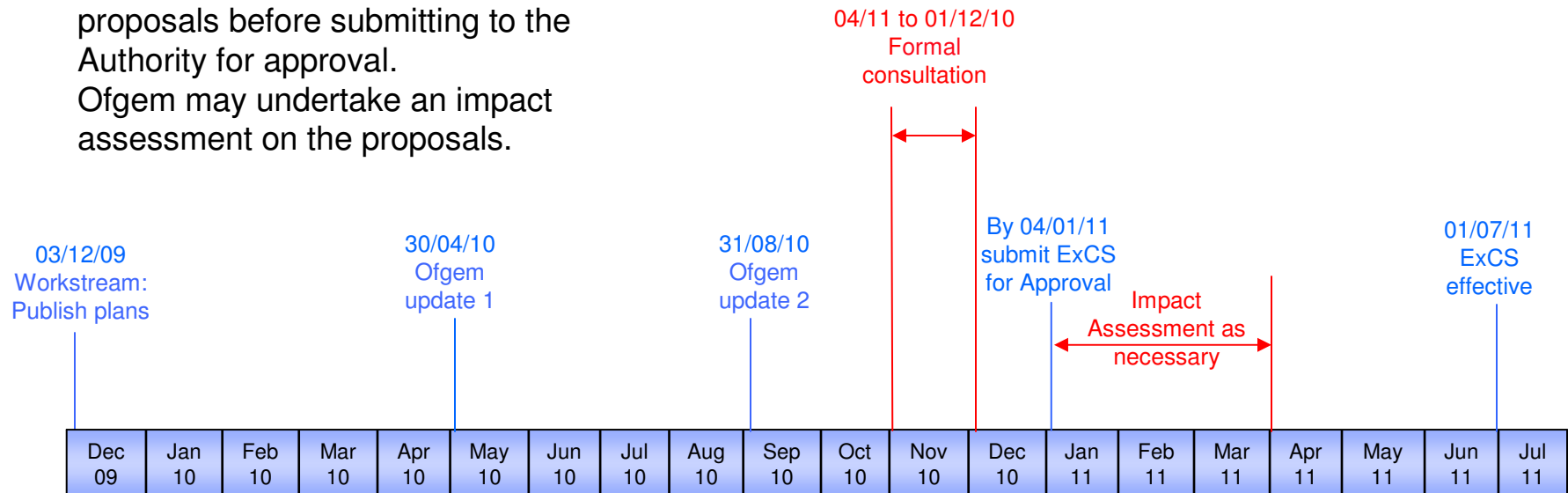
Indicative Timeline: Development of Exit Capacity Substitution and Revision Methodologies.

Key dates.

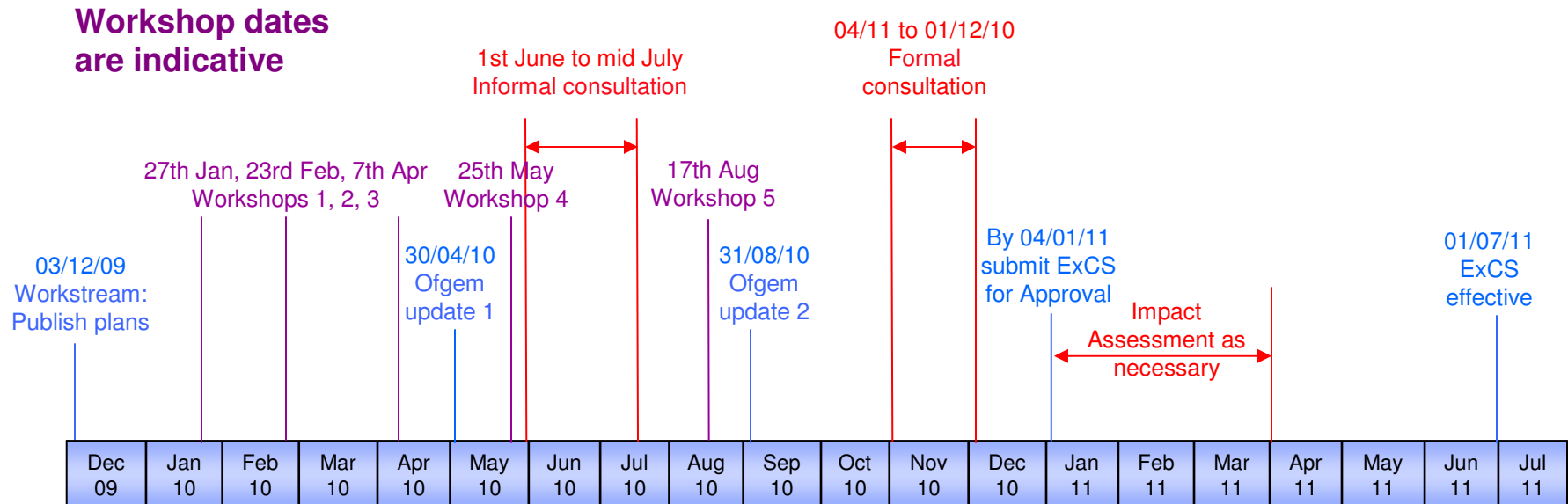


Indicative Timeline: Development of Exit Capacity Substitution and Revision Methodologies.

National Grid must consult on its proposals before submitting to the Authority for approval.
Ofgem may undertake an impact assessment on the proposals.

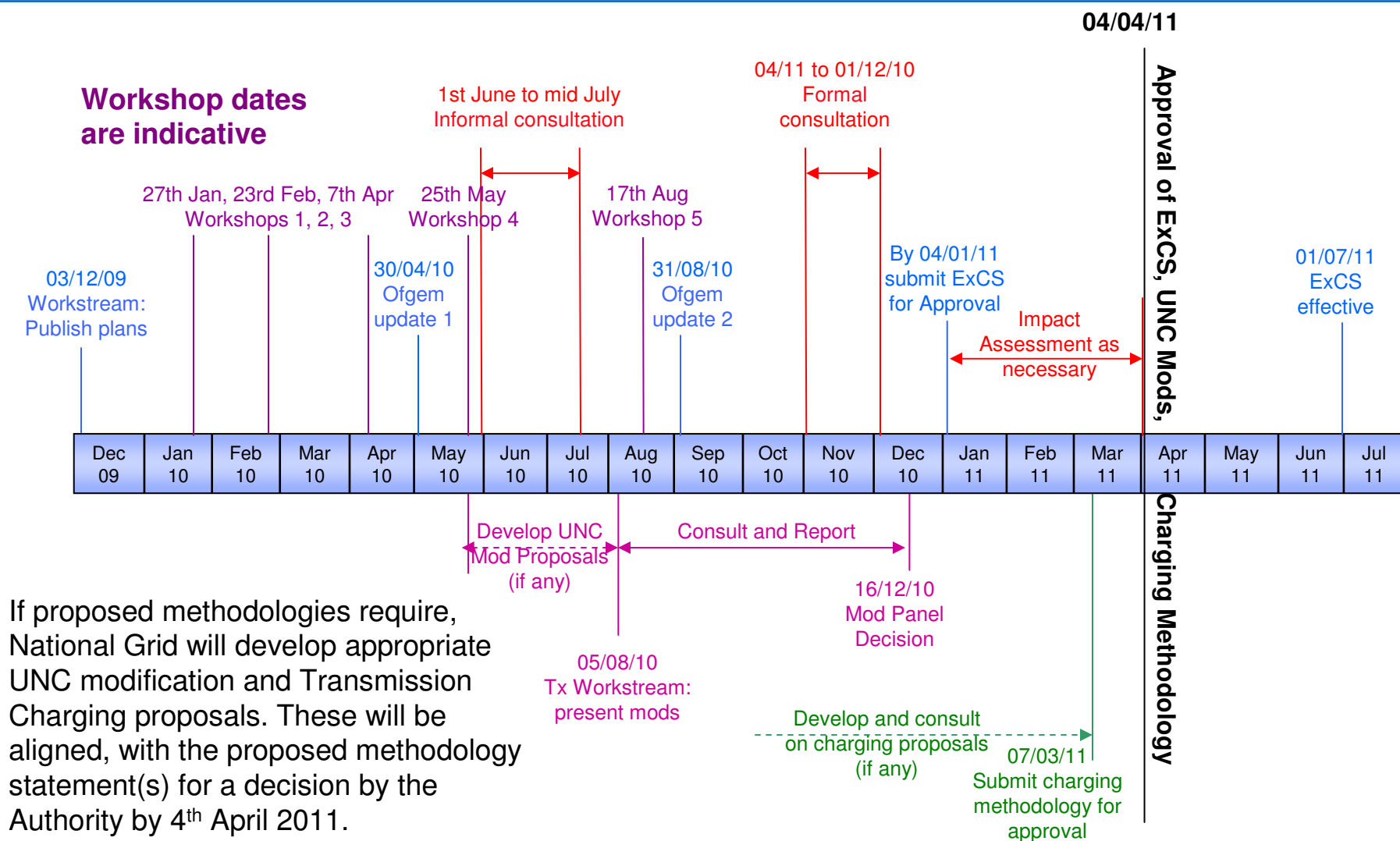


Indicative Timeline: Development of Exit Capacity Substitution and Revision Methodologies.



National Grid intends to hold a series of workshops (draft agendas on following slides) looking at substitution and revision culminating, subject to the outcome of the workshops, in an informal consultation on potential proposals. A final workshop is intended to review the outcome of the informal consultation.

Indicative Timeline: Development of Exit Capacity Substitution and Revision Methodologies.



If proposed methodologies require, National Grid will develop appropriate UNC modification and Transmission Charging proposals. These will be aligned, with the proposed methodology statement(s) for a decision by the Authority by 4th April 2011.

Workshop Draft Agendas

27th Jan 2010 Workshop1

- High level introduction (Ofgem)
 - Objectives of **substitution and revision**.
 - Key requirements any proposals must satisfy.
- Review timeline / workshop agendas
- Review industry comments and issues raised.
- Review / agree scope for **substitution**.
- Data presentation (e.g. baselines vs sold).
- Initial brainstorm of high level options for **substitution**.
 - Lessons from entry substitution.
 - Encourage industry to put forward alternatives.

Workshop Draft Agendas

23rd Feb 2010 Workshop 2

- Review scope for capacity **revision**.
- High level options for **revision**.
- Review industry alternatives for **substitution**.
- Present more detailed **substitution** options.
- Review potential IT systems impact.

7th April 2010 Workshop 3

- **Substitution:**
 - Developed detailed options / proposal with worked examples.
- **Revision:**
 - Developed detailed options / proposal with worked examples.
- Identify examples for detailed network analysis.

Workshop Draft Agendas

25th May 2010 Workshop 4

- Detailed analysis of examples.
 - Impact on baselines / pricing.
- Consider UNC mod requirements.
- Consider charging methodology changes.
- Update on IT systems impact.

17th Aug 2010 Workshop 5

- Review informal consultation responses.
- Present final proposals.

Initial Action

To ensure that the exit capacity substitution and revision methodologies adequately take account of all potential impacts on Shippers, connected system operators and connected consumers National Grid is seeking the views of all industry participants.

Before workshop 1, preferably **by 8th January 2010**, interested parties are requested to identify areas / issues that need to be considered as proposals are being developed, e.g. how will exit capacity substitution affect DN flow swapping?

Responses should be relatively short; a list of issues with brief description. National Grid will seek further information from individual respondents where necessary.

Responses to be sent to lesley.ramsey@uk.ngrid.com and copied to box.transmissioncapacityandcharging@uk.ngrid.com