

Balancing - Contractual Option





Introduction

- Context
- Objectives
- Four Phases
- GIC Checklist
- Change Request Detail
- Making Progress & Decisions
- Timeline



Context

- Regulatory solution is being implemented
 - GIC Board recommendation before Christmas
 - ICD process until mid-November
- Outcomes of Regulatory Solution
 - Unified regime
 - Full recovery of balancing costs from causers
- Contractual option is an alternative to regulation
 - Would need to address the GIC Checklist for the regime
- Parties have an opportunity to improve arrangements
 - Must demonstrate commitment to GIC Board through tangible progress



Contractual Option Objectives

- Simplify/unify regime
- Full recovery of balancing costs from causers
- Improve existing arrangements, build on positive aspects
- Lower cost than regulatory solution
- Quicker to implement than regulatory solution
- Enable phased implementation rather than a step change



Four Phases

1 - Unify

- Foundation changes that facilitate timely progress
- Tangible demonstration of industry commitment to GIC Board

2 - Consolidate

- Codification of existing provisions outside the MPOC
- Implementation of relatively straightforward improvements

3 - Enhance

- More complex improvements are generally accepted
- Need development from concepts to code changes

4 - Evolve

- New contractual structure across system
- New concepts may arise



GIC Checklist

- Phases 1 & 2 address the GIC's Design Objectives, Governance,
 Procurement, Linepack, and Allocation points
- Outstanding Checklist items are UFG management, extended nominations, D+1, and title tracking
- Phase 3 addresses these matters except title tracking
- Phases 1 & 2 would be equivalent to the Regulatory Solution
- Phases 1 & 2 need to be considered as a package of Change Requests
- A credible ICD process needs tangible commitment to Phases 1 & 2



Change Request Detail I

- Unify Phase 1
 - CR 1-1 TPWP allocation moved to MPOC
 - CR 1-2 Balancing Agent specifications
 - CR 1-3 Adjustment processes (metering/ROI) clarified
 - CR 1-4 Tolerances reviewed
- Consolidate Phase 2
 - CR 2-1 Procurement/BGX specifications
 - CR 2-2 System-wide participation in BGX
 - CR 2-3 Back-to-back cash-out mechanism
 - CR 2-4 Governance tidy up



Change Request Detail II

- Enhance Phase 3
 - CR 3-1 Enhanced Information (eg payback vs demand nominations)
 - CR 3-2 Virtual Welded Points (extended nominations)
 - CR 3-3 D+1 balancing determination
 - CR 3-4 Downstream financial settlement process
 - CR 3-5 UFG management specifications
- Evolve Phase 4
 - Balancing arrangements moved from MPOC to separate code/agreement
 - Changes to implement new concepts

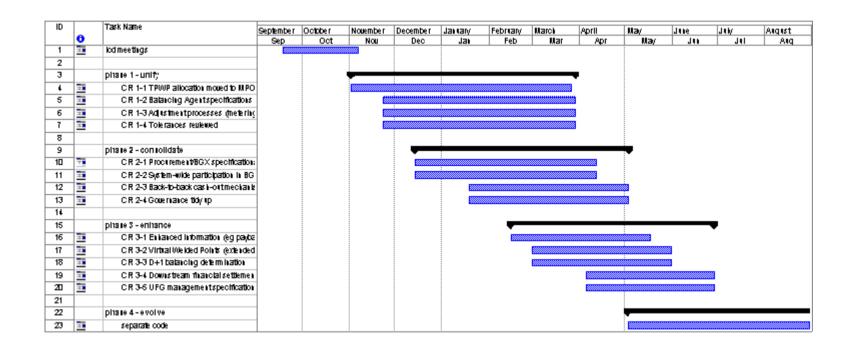


Making Progress & Decisions

	I _	
CR	Progress	Policy Decisions
1-1	VT draft	single regime, pay now dispute later
1-2	MDL draft	-
1-3	MDL draft	-
1-4	-	flexibility vs security, tolerances vs linepack range, distribution of tolerances, northern TPWPs
2-1	MDL draft	-
2-2	-	system-wide participation
2-3	MDL draft	peaking vs cost recovery, TPWP allocation mechanisms, WP to WP claims, OATIS changes
2-4	-	dispute resolution, change process
3-1	-	split nominations, other desirable modifications
3-2	Contact concept	mandatory vs voluntary, OATIS changes
3-3	GIC investigation	implement D+1 balancing
3-4	-	financial remedy for poor downstream data
3-5	-	system-wide solution vs separate management



Timeline





Next Steps

- Agreement to implement the package of Change Requests comprising Phases 1 & 2
- Draft Change Requests
- Resolve necessary policy decisions

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