



# Balancing - Contractual Option

9 October 2009



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## 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

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

ID	Task Name	September	October	November	December	January	February	March	April	May	June	July	August
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1	10d meetings	[Task bar]											
2													
3	phase 1 - unify			[Task bar]									
4	CR 1-1 TPWP allocation moved to MPO			[Task bar]									
5	CR 1-2 Balancing Agents specifications			[Task bar]									
6	CR 1-3 Adjustment processes (metering)			[Task bar]									
7	CR 1-4 Tolerances reviewed			[Task bar]									
8													
9	phase 2 - consolidate				[Task bar]								
10	CR 2-1 Procurement B2X specification				[Task bar]								
11	CR 2-2 System-wide participation in BG				[Task bar]								
12	CR 2-3 Back-to-back call-out mechanics					[Task bar]							
13	CR 2-4 Governance tidy up					[Task bar]							
14													
15	phase 3 - enhance						[Task bar]						
16	CR 3-1 Enhanced Information (e.g. payee)						[Task bar]						
17	CR 3-2 Virtual Welded Points (extended)						[Task bar]						
18	CR 3-3 D+1 balancing determination						[Task bar]						
19	CR 3-4 Downstream financial settlement							[Task bar]					
20	CR 3-5 UFG management specification							[Task bar]					
21													
22	phase 4 - evolve									[Task bar]			
23	separate code									[Task bar]			

## 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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