



**Proposed PG and PPB NDC Process**

**AIP-SEM-07-218**

**25<sup>th</sup> May 2007**

### ***Summary proposal***

PG and PPB (the “sellers”) will auction two way CFDs, with reserve prices on prescribed days. The products offered will be limited in number and will comprise simple constructs (broadly based on the product forms offered under the Directed Contracts - Base load, Mid-Merit and Peak). Invitation to bid documents (which will describe the products being offered for sale in any given auction will be emailed/faxed to those parties who have executed an NDC Master Agreement with the seller. It is yet to be decided whether volumes of contract will be awarded on a “Pay as Bid” or “Clearing Price” basis.

PG & PPB have no objection to any other generator (seller) partaking in this process. This will be the only process, outside the Directed Contracts process, that PG and PPB will utilise to sell contracts within the tariff timetable window for the November 2007 to September 2008 year.

### ***Timing***

PG and PPB propose that the auctions will commence after the DC process has been fully completed i.e. Tuesday 19<sup>th</sup> July. Auctions will take place on every Tuesday and Thursday for the following four weeks. Counterparties will receive Invitation to Bid documents by [10:00] on these designated days from both parties and will have until [12:00] to respond to each or either party. PG and PPB will look at providing indicative volumes and likely reserve prices in advance to allow counterparties to determine bidding strategies and facilitate internal governance arrangements. Counterparties may bid for all or some of each product quantity offered. It has yet to be decided whether Counterparties will be asked to bid a percentage of offered MW (0 to 100%) or for distinct units of MW (e.g. 5MW units). Bid prices must be at or above the reserve price for each product offered. PG and PPB will inform counterparties of the volume they have been awarded and the strike prices by [15:00] and will publish the average prices obtained for each product sold through that auction.

PG offers will be in Euro while PPB offers will be in Sterling and bidders must respond in the same currency.

### ***Volume***

Total volumes to be offered have not yet been finalised but the intention is to spread the available volume across the auctions although this may be adjusted if particular product types are under-subscribed (e.g. base-load products converted to mid-merit products if higher demand).

### ***Products***

The products offered will be limited in number and will comprise simple constructs (broadly based on the product forms offered under the Directed Contracts - Base load, Mid-Merit and Peak). The final definition of these products will be determined following consultation with market participants.

### ***Next Steps***

PG and PPB are inviting any interested parties to meet with them on Wednesday 30<sup>th</sup> May at 2:00 pm in the Hilton Hotel in Belfast to discuss both the process and products to be offered and implementation issues.

### ***Master Agreement***

Any one wishing to take part in the auction must have signed up to the NDC Master Agreement. This will be broadly similar to the DC Master Agreement but will be more generic, e.g. Credit Cover arrangements can be negotiated between the parties.

**Ken McKervey**  
**Manager, Power Trading and Strategy**  
**Power Generation**  
**ESB**

**Roy Foreman**  
**Power Procurement Manager**  
**NIE**