

Non Directed contracts

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Consultation on the draft Master Agreement

- PPB and ESB PG have considered the comments received on the draft Master Agreement (MA).

Changes made address:

1. Monthly Statement for each transaction
 - statement will use the monthly average SMP rather than showing each settlement period (same as for DCs)
2. Electrical System Collapse
 - no longer treated as Force Majeure
 - when triggered, payments are based of a 50:50 split of difference between strike price and the administered SMP
3. Some other tidying of the drafting



The Legal Framework

- Final Master Agreement (MA) will be circulated later today
- Schedule 2 allows customisation of the MA
 - Disapplication of or additions to the terms of the MA are specified
 - Terms for the provision of Credit Cover are specified
- Auction Rules will describe the auction process and set out the terms and conditions applicable to the auctions
- Auction notices will defined the products being offered in any auction
- Bid forms will be the documents used to submit bids and will also set out the form of confirmation letter for the product



Credit Cover

- Schedule 2 to the MA will specify the options for the provision of credit support
 - Satisfactory credit rating
 - Letter of Credit
 - Cash deposit
- NIE PPB's standard terms will be that it will not be providing credit support (as per DC approach for seller)
- Determination of the amount of credit required from counter-parties will be specified as part of each product description (and incorporated into the bid forms & confirmation letter)
- Currently assessing when credit needs to be posted
 - Pre-qualifying to agree the mechanism for each counter-party
 - Considering the ex-ante need for credit support under these NDC auctions
- Seeking to simplify the credit cover process
 - e.g initially 15% of the maximum quarterly contract value (strike price * volume) with periodic reviews



The NDC timetable & communications

- Auctions to commence [24] July and with 2 auctions per week over a 4 week period
 - Tuesday auctions 11 month products, Thursday auctions shorter term products
 - Flexibility retained in respect of the 4th week
- Communications will be via email/fax
- Early notice of expected product volumes and prices will be provided
 - PPB's contracts will be offered in £/MWh
- Auction day timeline
 - [09:30] - Communication of final product volumes and reserve prices
 - [12:30] - Gate closure for bids
 - [16:00] – communication of results (Q , P to individuals, P to all bidders for each product)



The NDC bid structure and allocation methodology

- Bidders will be able to submit a finite number of bids for each product
 - Could bid for a %age of the available product (minimum package quantity?)
 - PPB's preference is to require bids for distinct "packages" (e.g. 5MW blocks)
- Capacity will be awarded on a clearing price basis
 - For under-subscribed products, clearing price = reserve price
 - Otherwise clearing price = lowest successful bid price
 - Capacity allocation remains based on bid price stack – prorating where there is a surplus of bids at the clearing price



PPB's NDC Products

- Baseload
- Midmerit 1 – DC midmerit profile
- Midmerit 2 – Monday – Friday, 07:00 – 19:00
- Peak – DC peak profile

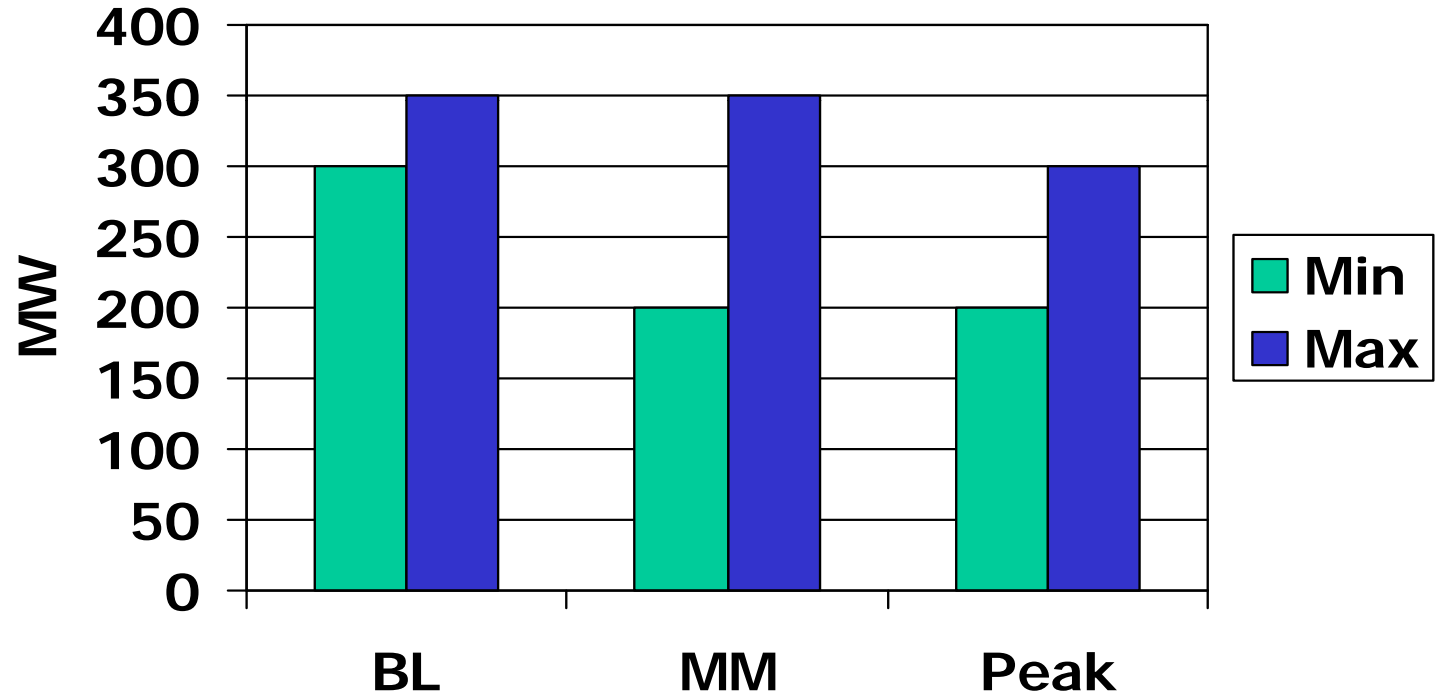
	Annual	Bi-annual	quarterly	Other
Baseload	✓	✓	✓	Nov – Dec 07
MM1	✓	✓	✓	Nov – Dec 07
MM2	✓	✓	✓	Nov – Dec 07
Peak		Nov 2007 – March 2008	2008Q1	Nov – Dec 07

- Note – we are considering the application of a profile to the Strike Prices of longer term products for settlement & credit cover purposes



PPB's NDC Product Volumes

Initial MW Split





The NDC process – Next Steps

- Circulate final MA and Schedule 2 later today
- Execution of MAs with counter-parties
- Decision by RAs on any outstanding issues that could affect pricing e.g. treatment of fixed cost of gas transportation
- Finalisation of process definition and publication of Auction Rules
- Trial run to test fax / email communication channels



Strike Price Profiling

