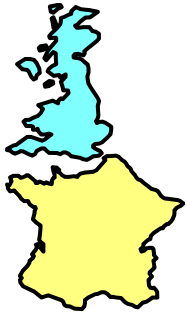


Overview of IFA Key Access Principles from the Market's Perspective

March 2nd, 2007

Paris



Key Access Rules

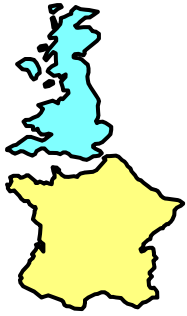
- Forward auctions and secondary markets
- Degree of firmness of allocated forward rights
- Day-ahead auctions
- Nominations
- Intra-day capacity allocations
- Firmness of accepted XB programs
- Contractual framework

Forward Auctions

- Allocation and Nomination processes jointly performed by National Grid and RTE
 - Common Allocation/Nomination Rules (IFA Access Rules)
 - Common Framework Agreement covering all the processes from auctions to invoicing
 - For forward and daily auctions
- Products: physical transmission rights
 - Options to establish a XB program
 - Unused rights can be lost without compensation (UIOLI)
 - Minimum amount of 1 MW
- Forward products: Cal and Fin Year, Season, Quarter, Month
- Interactive explicit auctions settled at pay-as-bid price

Secondary Markets

- Only concerns holders of long-term rights
- Bilateral trade between IFA Users (Reassignment)
 - A User can transfer some capacity to another User (min 1MW, for 1 entire day)
 - The transfer must be accepted by TSOs until D-2 5pm
 - A fee could be due to the TSOs (currently nil)
- At any forthcoming auction, holders of long-term rights can make a reallocation request to TSOs
 - Reallocated units must have a validity period longer than the one from the units offered in the forthcoming auction
 - The reallocation period must be the same as the validity period of the units offered in the forthcoming auction
 - Reallocated units are allocated after the units allocated by TSOs (if there is some demand)
 - A fee could be due to the TSOs (currently nil)

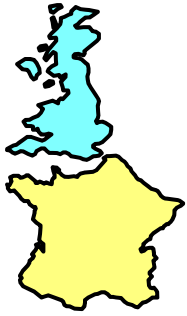


Key Access Rules

- Forward auctions and secondary markets
- Firmness of allocated forward rights
- Day-ahead auctions
- Nominations
- Intra-day capacity allocations
- Firmness of accepted XB programs

Firmness of Allocated Forward (and Daily) Rights

- Already allocated transmission rights can be curtailed by the TSOs
 - Information about such reductions provided to the market as soon as possible
 - a Target Availability (TA) is associated to each product in the auction's specifications
 - The TA is compared to the real availability: curtailment reconciliation
- Users will be compensated for such curtailments
 - If the real availability is lower than the TA: reimbursement of amount at the selling price
 - If the real availability is higher than the TA: payment of amount at the selling price

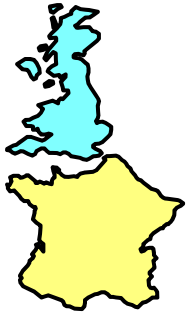


Key Access Rules

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Day-ahead Auctions

- Product: physical transmission rights
 - Options to establish a XB program expiring at each last intraday gate-closure
 - Unused rights are NOT lost after nomination (can be used at the Intra-day stage)
 - Product could be a profile in case of a curtailment
 - Minimum amount of 1 MW
- Interactive explicit auctions settled at pay-as-bid price
- For each User, day-ahead rights are summed with periodic auctions rights to form the User's Interconnector Capacity Entitlements (ICE: one in each direction)



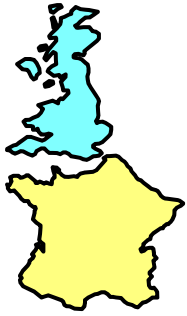
Key Access Rules

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Nominations

- One netted nomination for each User
- Nomination must not exceed User's ICE
- No UIOLI after the day-ahead nomination

- Nominations to both TSOs independently
- "One-to-one-and-only-one", A to A type
- Matching of nominations by TSOs
- Timetable
 - D-1, 16:00. Firm nomination of periodic and daily rights
 - D-1, 20:00. First Intraday gate-closure

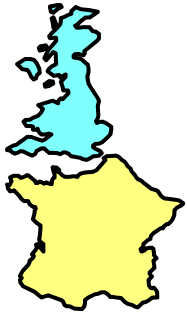


Key Access Rules

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Intra-day Capacity Use

- Intra-day facility opened since 29 March 2004
 - 6 intra-day gates until 21 September 2005
- No intraday allocation, no UIOLI
- Renominations allowed within User's ICE
- Intraday reallocation can be curtailed (prorata) for system security reasons (Intraday Transfer Limits defined by TSOs at each gate-closure)



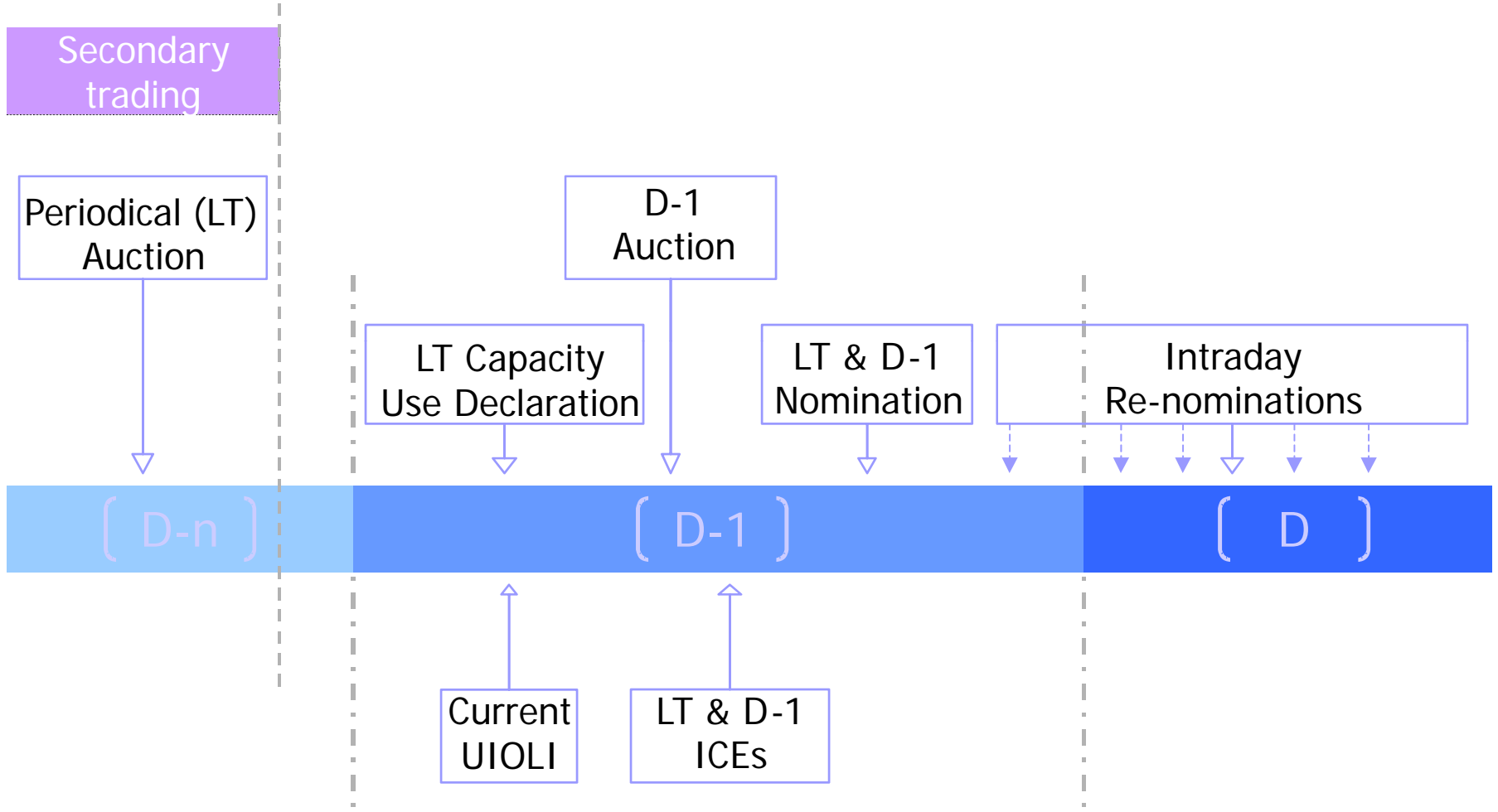
Key Access Rules

- Forward auctions and secondary markets
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Firmness of Accepted XB Programs

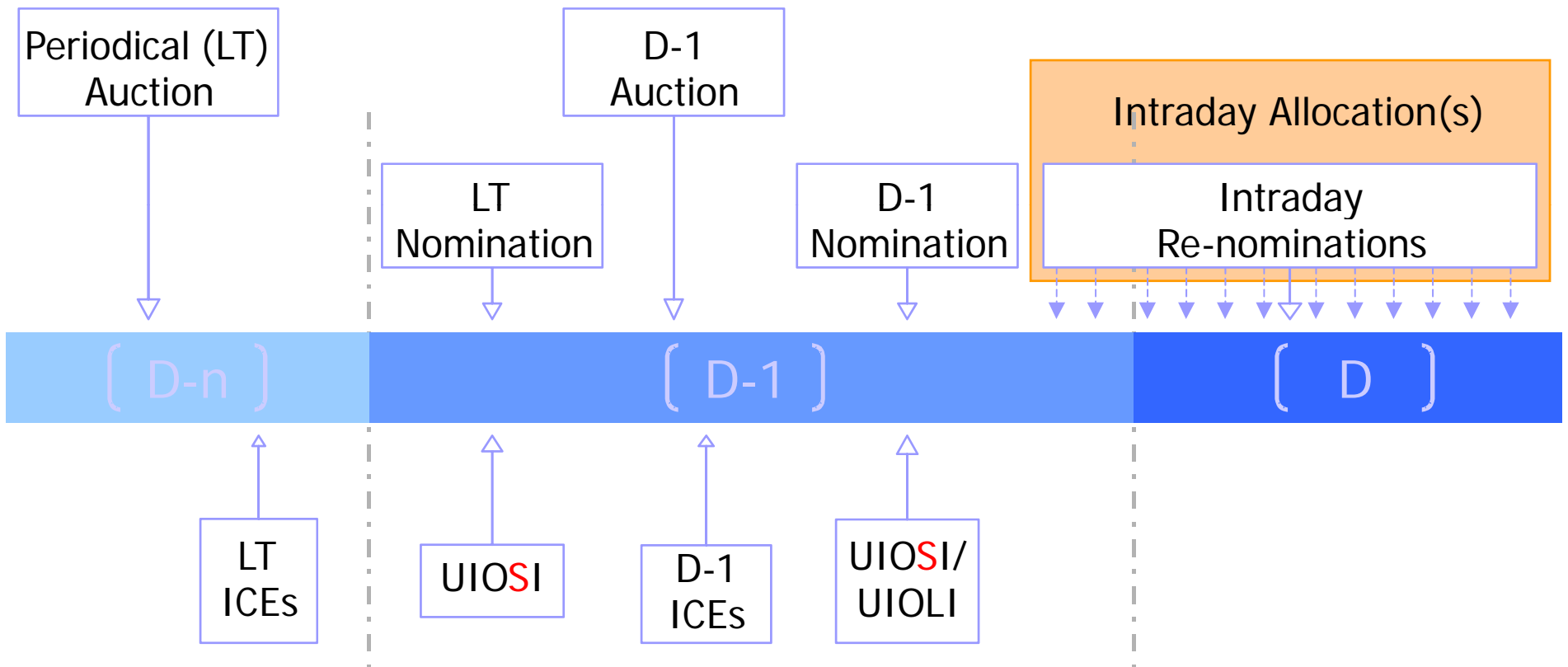
- Accepted XB programs are not guaranteed
- Curtailment reconciliation based on the Target Availability of each product

Current Process



Target Process

Secondary Trading



➔ compliance with Congestion Management Guidelines of the EC

Contractual Framework

