

## Stage 01: Modification

# 0500:

## EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures

At what stage is this document in the process?



This Modification Proposal seeks to facilitate compliance with Commission Regulation (EU) No 984/2013 (Capacity Allocation Mechanisms) and facilitate continued compliance with Annex I to regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks with regards to the Congestion Management Procedures.



The Proposer recommends that this modification should be assessed by a Workgroup



High Impact:  
Shippers and National Grid NTS



Medium Impact:



Low Impact:

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## About this document:

This modification will be presented by the proposer to the panel on 15th May 2014.

The panel will consider the proposer's recommendation and agree whether this modification should be referred to a workgroup for assessment.


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# 1 Summary

## Is this a Self-Governance Modification?

Self Governance procedures are not proposed because this Modification Proposal is likely to have a material effect on commercial activities connected with the transportation of gas conveyed via the National Transmission System and the operation of this pipeline system. This is due to the changes proposed in respect of NTS capacity allocation, capacity transfers and congestion management at Interconnection Points (IPs).

## Is this a Fast Track Self-Governance Modification?

Fast Track Self-Governance procedures are not proposed because the proposer does not believe that the Modification Proposal meets the self-governance criteria for the reasons stated above.

## Why Change?

This Proposal is one of a number of Proposals which seek to implement relevant provisions of a number of new EU Network Codes which have been introduced in order to enable progress towards a competitive and efficient internal market in gas. Some EU Network Codes are still in development and these may in due course require a review of solutions developed for Codes that come into force beforehand.

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013, otherwise known as the code on Capacity Allocation Mechanisms (CAM)) to harmonize transparent and non-discriminatory access to transmission capacity at applicable interconnection points across the European Union. These rules are supported by Congestion Management Procedures (CMP) and the interim solutions for CMP need to be reviewed to ensure a fit with CAM. Changes to the UNC are required to ensure compliance with these EU rules. It is expected that an EU Network Code on Tariffs will not be finalised before CAM comes into force therefore this modification proposes specific tariff arrangements to apply at IPs.

## Solution

The UNC mechanisms for Users<sup>1</sup> to obtain and manage NTS Entry Capacity and NTS Exit (Flat) Capacity at Interconnection Points (IPs) will be modified to comply with the requirements of CAM and CMP at IPs in terms of:

- an EU set of standard capacity products for both entry and exit capacity (yearly, quarterly, monthly, daily and within day) and cessation of Enduring Annual NTS Exit (Flat) Capacity;
- an EU standard capacity auction calendar;
- EU standard capacity auction designs (Ascending Clock and Uniform Price);
- Priority given to cross-border bundling of unsold capacity products;
- Cross-border set aside of capacity from longer term auctions for shorter term auctions<sup>2</sup>;
- Available Cross-Border Bundled Capacity can only be resold as Bundled Capacity on the secondary market;
- a joint booking platform for the sale and purchase of capacity at Interconnection Points;
- where required adapt pre-existing CMP solutions to apply to CAM products and auction processes and the joint booking platform;
- adapt the existing charging methodology until the Tariff code comes into effect to ensure prices are defined for initial CAM capacity auctions.

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<sup>1</sup> For the purposes of this Proposal, reference to a User means a Shipper User

<sup>2</sup> Set aside of capacity for CAM will be detailed in the relevant capacity methodology statements rather than the UNC.

## Relevant Objectives

Implementation of this Modification would better facilitate the following relevant objective:

g) Compliance with the Regulation and any relevant legally binding decisions of the

European Commission and/or the Agency for the Co-operation of Energy Regulators. The new Capacity Allocation, Transfers and Congestion Management rules and their application are prescribed within the EU CAM Code and CMP Guidelines. The consequential changes to the UNC will therefore facilitate compliance with European legislative requirements.

## Implementation

No implementation timescales are proposed. The EU has specified the Regulation on Capacity Allocation Mechanisms will apply no later than 1 November 2015.

Introduction of new/modified processes and systems will be necessary to facilitate implementation of this modification.

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## 2 Why Change?

Regulation (EC) No 715/2009 of the European Parliament and the Council of the European Union came into force in September 2009 and introduced a European Network of Transmission System Operators for Gas (ENTSOG). One of ENTSOG's tasks was to prepare legally binding network codes in the form of European secondary legislation to the Gas Regulation (No 715/2009). The aim of the codes is to enable progress towards a competitive and efficient internal European market in gas by the creation of liquid markets, the efficient use of cross-border transmission capacity and the integration between Member States' gas markets.

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013, otherwise known as the code on Capacity Allocation Mechanisms (CAM)) to harmonize transparent and non-discriminatory access to transmission capacity at applicable interconnection points across the European Union. These rules are supported by Congestion Management Procedures (CMP) and the interim solutions for CMP need to be reviewed to ensure a fit with CAM. Changes to the UNC are required to ensure compliance with these EU rules. It is expected that an EU Network Code on Tariffs will not be finalised before CAM comes into force therefore this modification proposes specific tariff arrangements to apply at IPs.

The UNC mechanisms for Users to obtain NTS Entry Capacity and NTS Exit (Flat) Capacity at Interconnection Points need to be modified to comply with the requirements of CAM and CMP at IPs in terms of:

- an EU set of standard capacity products for both entry and exit capacity (yearly, quarterly, monthly, daily and within day) and cessation of Enduring Annual NTS Exit (Flat) Capacity;
- an EU standard capacity auction calendar;
- EU standard capacity auction designs (Ascending Clock and Uniform Price);
- Priority given to cross-border bundling of unsold capacity products;
- Cross-border set aside of capacity from longer term auctions for shorter term auctions;
- Available cross-border bundled capacity can only be resold as bundled capacity on the secondary market;
- where required adapt existing CMP solutions to apply to CAM products and auction processes;
- a joint booking platform for the sale and purchase of capacity at Interconnection Points;
- adapt the existing charging methodology until the Tariff code comes into effect to ensure prices are defined for initial CAM capacity auctions.

The below table outlines the products, algorithm types and (GMT/BST) timings associated with each CAM auction.

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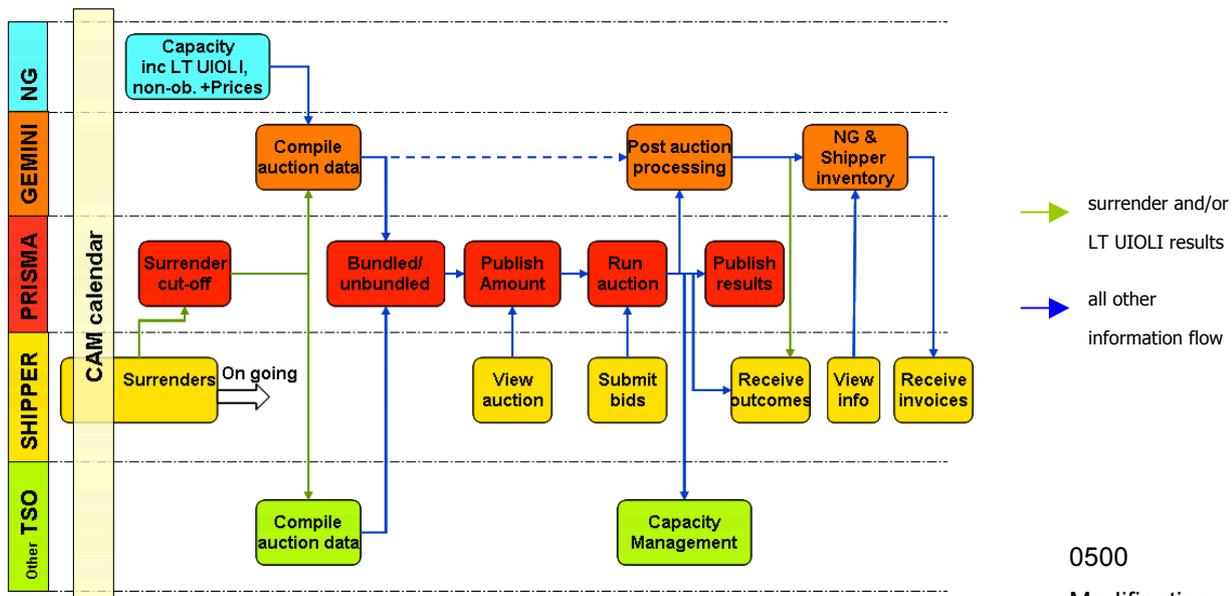
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Auction	Frequency	Product	Capacity Commencing	Default Start of the auction	Default Invitation publication	Allocation	Auction algorithm
Annual Yearly	annually	Firm Y+1 to Y+15 annual strips	1st October	1st Monday of March	1 month before auction starts	next business day (after the closing bid window)	Ascending clock
Annual Quarterly		Firm Y+1 Q1 to Q4	1st October 1st January 1st April 1st of July	1st Monday of June	2 weeks before auction starts		
Rolling Monthly		Firm monthly strips	1st day of each month	3rd Monday of the month	1 week before auction starts		
Rolling Day ahead	daily	Firm & Interruptible D+1	Start of the gas day	Firm D 15:30 Interruptible D [16:30]	At the start of the auction	30 minutes after the bidding round closes	Uniform price
Within Day	hourly	Firm D	Hour bar + 4 from start of bid window	D-1 [18:00]	After closure of the day ahead auctions	30 minutes after the bidding round closes	

Following its stakeholder consultation regarding the PRISMA platform, National Grid NTS will be utilising PRISMA as the joint booking platform for NTS interconnection points. It should be noted that PRISMA is jointly owned by Transporters across member states and has its own terms and conditions that are not within the direct control of any single Transporter. The interface for Users for any transactions relating to Interconnection Points shall primarily be the PRISMA platform, however some User actions shall necessarily remain on existing National Grid NTS systems. All relevant data held on the PRISMA platform will be transferred to National Grid NTS systems so that key processes such as invoicing can be completed. The below diagram outlines a typical auction process, and how data flows between Users, PRISMA and National Grid NTS.



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While this modification aims to facilitate compliance with CAM (and CMP), it should be noted that some CAM-CMP requirements are not being addressed by this modification. For reference these are described below:

- The CAM code requires Transporters to provide Users with a single nomination process for Interconnection Points.
- The CAM code defines a 'Gas Day' as 5:00 to 5:00 GMT/BST.
- The CAM code applies only to Interconnection Points and so steps may be taken to disaggregate any points where Interconnection points are currently commercially combined with non Interconnection Points.
- The 'Firm Day Ahead Use-it-or-Lose-it' mechanism if required under CMP.

These requirements are covered by separate modification(s) as required.

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## 3 Solution

- 1) It is proposed to introduce new processes at **Interconnection Points** (as currently defined in UNC TPD A1.8) and to introduce new terms for these processes. New processes proposed in this modification shall be used in place of or in conjunction with existing UNC processes as described within this modification. Note that new terms proposed below are primarily for the purposes of this document. Terms defined below may or may not form part of the legal text<sup>3</sup>.

### 3.1 New Terms

- 1) “**1-to-1 situation**” is a situation where there is a single Transporter on either side of an Interconnection Point.
- 2) “**1-to-2 situation**” is a situation where there is a single Transporter on one side of an Interconnection Point (the 1-side) and two Adjacent Transporters on the other side (the 2-side)
- 3) “**Adjacent Transporter**” means the operator of a Transmission System connected to (or designated as connected to) the National Transmission System at an Interconnection Point.
- 4) “**Ascending Clock Auction**” means an auction in which the User places requested quantities of capacity in a bid against defined price steps which are applied sequentially in a series of bidding rounds
- 5) “**Auction Premium**” means the difference (if any) in price between the auction reserve price and the clearing price of an Interconnector Capacity Auction.
- 6) “**Automatic Bidding**” means a Joint Booking Platform function that allows Users to submit bids before the start of an Interconnection Capacity Auction;
- 7) “**Cross-border bundled capacity**” means NTS capacity at Interconnection Points that Users can obtain with a bids in a single auction for an equal quantity and duration for a combination either of NTS Exit (Flat) Capacity with Adjacent Transporter Entry Capacity, or of NTS Entry Capacity with Adjacent Transporter Exit Capacity. Such capacity is Registered as bundled when allocated. NTS unbundled capacity is auctioned at Interconnection Points independently from any Adjacent Transporter. Users may also request that their unbundled capacity first allocated prior to 1<sup>st</sup> November 2015 to be Registered as bundled.
- 8) “**Daily NTS Interconnector Capacity**” is either NTS Entry Capacity or NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only;
- 9) “**ENTSOG Auction Calendar**” means a table of all relevant timings for auctions, including starting dates and EU standard capacity products published by ENTSOG by January of every calendar year for auctions taking place during the period March until February of the following calendar year
- 10) “**Firm NTS Interconnector Capacity**” is NTS Interconnector Capacity which is not subject to curtailment;

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<sup>3</sup> The eventual legal drafting may involve a combination of UNC provisions and references to PRISMA General Terms and Conditions (GTCs). These GTCs can be found at <https://platform.prisma-capacity.eu/>, select Downloads and scroll down to Legal Information.

- 11) **“First Time Undersell”** means an occurrence where “Capacity Demand” (i.e. the aggregate capacity bid quantity across all Users) in a Large Price Step round of an ascending clock auction is less than the capacity quantity offered at the end of the second bidding round or a subsequent bidding round
- 12) **“Interconnector Capacity Auction”** means capacity allocation mechanisms that facilitate compliance with EU Regulation 984/2013.
- 13) **“Interruptible NTS Interconnector Capacity”** means **Daily NTS Interconnector Capacity** which is subject to curtailment;
- 14) **“Joint Booking Platform”** means the web based platform used to offer, obtain and Transfer capacity at any National Grid NTS Interconnection Point.
- 15) **“Large Price Step”** means a price step in ascending clock auctions that seeks to minimise the length of the auction process
- 16) **“Monthly NTS Interconnector Capacity”** is either NTS Entry Capacity or NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar month;
- 17) **“NTS Interconnector Capacity”** means either NTS Entry Capacity or NTS Exit Capacity at Interconnection Points that may be Yearly, Quarterly, Monthly, Daily, or (for a period defined in Section 3.16) Enduring Annual NTS Exit (Flat) Capacity, either allocated under CAM or prior to 1<sup>st</sup> November 2015.
- 18) **“Quarterly NTS Interconnector Capacity”** is either NTS Entry Capacity or NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar quarter;
- 19) **“Small Price Step”** means an integer division of a Large Price Step that seeks to minimise the level of unsold capacity where an ascending clock auctions closes at a price higher than the reserve price.
- 20) **“Technical Capacity”** means the **Obligated Entry Capacity**, or the **Baseline NTS Exit (Flat) Capacity**. (Note Technical Capacity is zero for virtual reverse flow.)
- 21) **“Unbundled NTS Interconnector Capacity”** means NTS Interconnector Capacity at an Interconnection Point which has been auctioned or applied for separately at that Interconnection Point, from capacity rights provided by any Adjacent Transporter.
- 22) **“Uniform Price Auction”** means an auction in which the User in a single bidding round bids price as well as capacity quantity and all Users who are successful in gaining capacity pay the price of the lowest successful bid;
- 23) **“Yearly NTS Interconnector Capacity”** is either NTS Entry Capacity or NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a Gas Year;

### 3.2 General

- 1) NTS Interconnector Capacity may only be newly registered by Users through auctions that comply with Capacity Allocation Mechanisms (CAM), as defined in this modification proposal.
- 2) National Grid NTS and its Adjacent Transporters shall apply this Regulation by offering capacity by means of a Joint Booking Platform. Capacity auctioned on the

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Joint Booking Platform may be offered and Registered to Users as bundled or unbundled capacity.

- 3) The Joint Booking Platform shall allow Transporters to offer, and Users to obtain NTS Interconnector Capacity, and for Users to trade capacity on a secondary market.
- 4) The Joint Booking Platform shall have its own General Terms and Conditions (GTCs) and registration processes. Any party wishing to obtain NTS Interconnector Capacity must agree to the GTCs for the platform, and additionally any parties applying to use the primary and/or secondary functionalities of the Joint Booking Platform shall first be approved by National Grid NTS. National Grid NTS shall approve all applications for use of the Joint Booking Platform so long as the proposed platform user represents a Shipper User under the UNC.
- 5) Users shall be identified on the Joint Booking Platform by an Energy Identity Code (EIC)<sup>4</sup>.
- 6) Capacity at Interconnection Points shall be offered for auction on not more than one Joint Booking Platform.
- 7) Relevant communications within the scope of the Joint Booking Platform will constitute UNC code communications. National Grid NTS will continue to operate UK Link and conventional communications with Users in conjunction with the Joint Booking Platform in order to continue UNC code communications that are outside the scope of the Joint Booking Platform.
- 8) Relevant User Information on the Joint Booking Platform will be reflected on National Grid NTS systems.
- 9) Unless otherwise specified, all times referred to within this document are GMT/BST (as relevant) (note that GMT is equivalent to UTC as used in CAM).
- 10) Users may apply for and be registered as holding NTS Interconnector Capacity through the following Interconnector Capacity Auctions on the Joint Booking Platform:
  - a) Annual Yearly Interconnector Capacity Auction. In this auction Users may apply for and be registered as holding firm Annual NTS Interconnector Capacity;
  - b) Annual Quarterly Interconnector Capacity Auction. In this auction Users may apply for and be registered as holding firm Quarterly NTS Interconnector Capacity;
  - c) Rolling Monthly Interconnector Capacity Auction. In this auction Users may apply for and be registered as holding firm Monthly NTS Interconnector Capacity;
  - d) Rolling Day Ahead Interconnector Capacity Auction. In this auction Users may apply for and be registered as holding firm Daily NTS Interconnector Capacity;
  - e) Interruptible Rolling Day Ahead Interconnector Capacity Auction. In this auction Users may apply for and be registered as holding Interruptible NTS Interconnector Capacity;
  - f) Within Day Interconnector Capacity Auction. In this auction Users may apply for and be registered as holding firm Daily NTS Interconnector Capacity.
- 11) NTS Interconnector Capacity may be sold on the Joint Platform in either kWh/hr or kWh/d.
- 12) In respect of each Interconnection Point for each flow direction for each capacity period within each Interconnector Capacity Auction, National Grid NTS will make firm capacity available for auction set up calculated as the sum of:

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<sup>4</sup> Ref <http://www.entsog.eu/>, menu item on EICs.

- a) Unsold Technical Capacity; plus
  - b) Surrender Offers; plus
  - c) Withdrawal Offers; plus
  - d) Any Additional (Non Obligated) NTS Interconnector Capacity made available at the sole discretion of National Grid NTS.
- 13) The unsold Technical Capacity is the amount of Technical Capacity that can be made available for every Day within the relevant capacity period. E.g. when determining the unsold Technical Capacity for an Annual Yearly Capacity Auction - if capacity has already been allocated for quarters within the relevant Gas Year, then the capacity available as unsold Technical Capacity will be the Technical Capacity minus the maximum quantity sold in any calendar quarter within the relevant year.
- 14) Yearly, Quarterly and Monthly Interconnector Capacity Auctions shall use an Ascending Clock Auction process; Day Ahead and Within Day Interconnector Capacity Auctions shall use a Uniform Price auction process. Details for these processes can be found in sections 3.3 and 3.4 respectively.
- 15) In the case of a 1-to-2 situation, Users shall bid in 2 separate bundled auctions however the auctions will be linked, and the allocation process will be amended to reflect this. Details for the amended allocation process can also be found in sections 3.3 and 3.4.
- 16) Interconnector Capacity Auctions shall comprise a pair of auctions, bundled and unbundled, for the sale of firm NTS Interconnector Capacity. The bundled and unbundled auctions will run in parallel. Interruptible NTS Interconnector Capacity will only be offered as unbundled.
- 17) Firm NTS Interconnector Capacity made available in Interconnector Capacity Auctions shall be divided between bundled and unbundled auctions for each capacity period in accordance with the following rules:
- a) National Grid NTS and the Adjacent Transporter(s) shall each submit their Available quantity of capacity for the Interconnection Point to the Joint Booking Platform;
  - b) The Joint Booking Platform shall bundle as much Available capacity as possible.
  - c) In the case of 1-to-1 situation, any NTS Interconnector Capacity, in excess of the capacity offered by the Adjacent Transporter, shall be offered to Users on an unbundled basis, subject to 17(e):
  - d) In the case of 1-to-2 situation, only National Grid NTS capacity in excess of the combined offered capacities of the Adjacent Transporters, may be offered on an unbundled basis subject to 17(e).
  - e) for the second or subsequent years of the Annual Yearly Interconnector Capacity Auction, any unbundled capacity offered does not exceed the amount or duration of the aggregate sold capacity of the Adjacent Transporter.
- 18) The Joint Booking Platform will publish to the market the quantity of capacity that is made available in the bundled auction and in the unbundled auction, at times in line with the ENTSOG Auction Calendar. In the case of a 1-to-2 situation, the Joint Booking Platform shall also identify the amount of capacity offered in an auction that is in competition.
- 19) For Interconnection Points where the Adjacent Transporter is operating in a different currency, the Joint Booking Platform will publish the prices for the auctions in both currencies along with the daily FX rate (£/Euro) that will be used for the auction.
- 20) The daily FX rate is published by the European Central Bank (ECB) at 14:00 GMT/BST, and will be imported to the Joint Booking Platform at 14:15 GMT/BST.

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- 21) NTS Interconnector Capacity made available in a bundled auction will be registered as bundled when allocated to a User in an auction. Similarly NTS Interconnector Capacity made available in an unbundled auction will be registered as unbundled when allocated to a User in that auction.
- 22) Users may also request their unbundled capacity to be registered as bundled (as set out in 3.12 below)
- 23) Some capacity transactions may result in a capacity bundle being broken. These capacity transactions include re-allocation of capacity Surrender Offers, re-allocation of LT UIOLI Withdrawal Offers, buybacks, termination and voluntary discontinuance. Where National Grid NTS receives notification from an Adjacent Transporter about a relevant transaction then National Grid NTS may increase the firm unbundled component of Available NTS Interconnector Capacity, and decrease the firm bundled component of Available NTS Interconnector Capacity by an equal amount, to reflect the capacity transaction.
- 24) National Grid may also pass on capacity information to the Adjacent Transporter so that they may reflect any transactions that unbundle capacity. This information would be limited to:
  - a) the User (EIC);
  - b) the relevant Interconnection Point and direction of the flow;
  - c) Start and end dates of the capacity period affected;
  - d) Amount of capacity;
  - e) The transaction type (e.g. Buyback, Surrender etc.)
- 25) A User's Available Cross-Border Bundled Capacity should only be transferred on a bundled basis and the process for transfers is set out below in 3.9.
- 26) In bundled capacity auctions the reserve prices (and for Ascending Clock Auctions, the Large and Small Price Steps as well) shall be the National Grid NTS prices plus the corresponding prices of the relevant Adjacent Transporter<sup>5</sup>.
- 27) In bundled Interconnector Capacity Auctions that are Uniform Price Auctions, the share of the Auction Premium due to National Grid NTS shall be [50%], unless otherwise agreed with the Adjacent Transporter. For bundled Interconnector Capacity Auctions that are Ascending Clock Auctions, then National Grid NTS shall invoice for the part of the premium attributable to National Grid NTS's Large and Small Price Steps.
- 28) For all Interconnector Capacity Auctions if a User fails to meet the provisions of UNC Section V3 (credit requirements) then National Grid NTS will not allow such Capacity Bids to be allocated in respect of NTS Entry or NTS Exit (Flat) capacity. In bundled auctions Users will have to satisfy these UNC credit arrangements and any that may be applied by the relevant Adjacent Transporter otherwise such bids will not be allocated.
- 29) For all Interconnector Capacity Auctions bids that are binding in respect of the Joint Booking Platform and in relation to NTS Entry and NTS Exit (Flat) capacity, the binding commitment is also in accordance with the UNC.

### 3.3 Ascending Clock Auctions

- 1) Ascending Clock Auctions enable Users to place volume bids for capacity in bidding rounds at pre-defined prices, starting with the Reserve price. The price shall increase in each round (except in case of First Time Undersell) until the demand for capacity has reduced so that capacity bids can be allocated in full.

*Bidding*

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<sup>5</sup> PRISMA displays (in ascending clock) separate prices for NG in £ and other TSO in Euro (or £).

- 2) Bidding shall take place between 08:00 and 17:00 with a duration of 3 hours for the first bid round, and a duration of 1 hour for bid rounds thereafter. There will be one hour between each bidding round. Users will be notified whether the auction closes after each bidding round or whether a further round will be held. Users with successful bids shall be notified of the capacity allocated to them.
- 3) All bids shall specify:
  - a) the amount of capacity applied for;
  - b) the User (EIC);
  - c) the relevant Interconnection Point and direction of the flow;
  - d) the standard capacity product for which the capacity is applied for in terms of which year, quarter, monthly and whether bundled or unbundled;
- 4) The minimum eligible quantity for a bid is [100,000 kWh/d]
- 5) A bid shall be considered valid if it is submitted by a User and complies with:
  - a) all provisions of this Section (3.3);
  - b) The User meets UNC (Section V3) credit requirements;
  - c) The sum of all relevant User bids does not exceed the Available capacity for the auction;
  - d) Any other information mandated by the GTCs of the Joint Booking Platform.
- 6) A User may submit more than 1 bid in a bidding round. Multiple bids from a User shall be treated independently from each other.
- 7) The total volume of bids in any bidding round per User must be equal to or less than the capacity offered in a specific auction.
- 8) In order for Users to participate in an Ascending Clock Auction, it is necessary to place a bid in the first bidding round. The total volume bid per User in a bidding round shall be equal to or less than the total volume bid placed by the User in the previous round (except in the case of a First Time Undersell).
- 9) The Joint Booking Platform shall provide Users with functionality to submit bids automatically before the start of an auction. Bids submitted via this function shall be treated the same as bids submitted manually by a User.
- 10) Bids may be modified or withdrawn up to the close of the relevant bid window. Once the relevant bidding round closes, no modification, withdrawal or variation to valid bids shall be accepted.

#### *Multi-Currency*

- 11) As Users are only submitting bids in terms of volume, there is no need for any currency conversion during the running of the auction.
- 12) Once the bids have been allocated then National Grid NTS shall invoice for its share of the bid value in £ sterling.

#### *Price steps*

- 13) A Large Price Step and a Small Price Step shall be defined per Interconnection Point and per auction. The Small Price Step shall be set such that an increase by an integer number of Small Price Steps is equal to an increase by a Large Price Step.
- 14) The price steps shall be set so that an accurate market price can be established within a reasonable time frame.

#### *Ascending Clock algorithm*

- 15) Capacity auctions begin in the first bidding round with the reserve price. If the sum of the User's capacity bids is less than or equal to the capacities being offered, the bids will be allocated in full at the reserve price.
- 16) If the sum of the capacity bids in the first bidding round is higher than the capacity offered in the auction, a further bidding round will be opened with the price equal to

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the reserve price plus one Large Price Step (an auction premium equal to one Large Price Step). For each subsequent bidding round where the sum of the capacity bids remains higher than the capacity offered in the auction, then a further bidding round will be opened, and the auction premium will increment by one Large Price Step (i.e. the price will be equal to the previous round's price plus one Large Price Step).

- 17) If the sum of the capacity bids at the end of any bidding round equals the capacity being offered, then the auction is finished. The capacity bids are allocated in full, at the relevant price for that bidding round.
- 18) If the sum of the capacity amounts of the submitted bids during a bidding round (other than the first bidding round) is less, for the first time, than the capacity being offered then this is referred to as the First Time Undersell. A further bidding round is opened in this case, however the price shall reduce by one Large Price Step and increase by one Small Price Step. i.e. the Small Price Step is added to the auction premium which was valid in the bidding round previous to the First Time Undersell. Bidding rounds with Auction Premium increments of one Small Price Step are then opened until either:
  - a) the capacity being demanded in a bidding round is equal to or less than the capacity being offered. The bids for that round are allocated in full at the relevant auction premium.
  - b) any further price increment by one Small Price Step would result in the auction premium equalling the price of the First Time Undersell bidding round. In this case the bids entered into the First Time Undersell bidding round are allocated in full, at the relevant auction premium for the First Time Undersell bidding round.
- 19) For all bidding rounds the clearing price for the auction shall be the reserve price + the Auction Premium (if any) for the relevant bidding round. Successful Users shall be notified of the capacity allocated to them.

*Where a 1-to-2 situation exists:*

- 20) Where the capacity made available by National Grid NTS is equal to or greater than the sum of the capacities made available by both of the Adjacent Transporters there will be 2 independent auctions of bundled capacity that follow the standard rules set out within this section, and the below rules (paragraphs 21 – 24) do not apply;
- 21) Where the capacity made available by National Grid NTS is less than the sum of capacities made available by the Adjacent Transporters, then the 2 bundled auctions with Adjacent Transporters shall be linked as follows;
- 22) As identified in section 3.2 paragraph 18, the 2 bundled Auctions shall both have competing & non-competing quantities offered.
- 23) After the first bidding round, the capacity demands are evaluated against the available capacities. If the demand in each auction is both:
  - a) individually greater than the non-competing quantity available at each point respectively, and;
  - b) if the sum of these demands is greater than the capacity made available by National Grid NTS;

then both auctions progress to the next bidding round with the applicable price incremented by one Large Price Step.

- 24) Each of the linked bundled auctions will progress in unison to successive bidding rounds by increments of one Large Price Step until either:
  - a) the capacity demanded in one of the linked auctions is less than the non-competing capacity available in that individual auction. In this case the amount of capacity made available by National Grid NTS is split between the 2 auctions, and the 2 auctions can now progress independently.

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- b) the capacity demand for both auctions remains in excess of the respective non-competing quantities, however, the sum of capacity demands across both of the linked bundled auctions is less than the capacity made available by National Grid NTS. In this case the auctions shall now progress in unison with the applicable prices being incremented by Small Price Steps.

### 3.3.1 Annual Yearly Interconnector Capacity Auctions

- 1) The Bid Window for the Annual Yearly Interconnector Capacity Auction will commence on the first Monday in March of each year, or as otherwise varied in the annually published ENTSOG Auction Calendar. The opening and duration of the bid window will be in accordance with Section 3.3 paragraph 2 of this modification proposal.
- 2) One calendar month prior to the start of bidding, the Joint Booking Platform will publish the following information in respect of all Annual Yearly Interconnector Capacity auctions for each Interconnection Point:
  - a) The amount of bundled capacity made available to Users for Capacity Years Y+1 through to Y+15;
  - b) The amount of unbundled capacity made available to Users for Capacity Years Y+1 through to Y+15;
  - c) the reserve prices for each Capacity Year;
  - d) Large Price Steps for each Capacity Year;
  - e) Small Price Steps for each Capacity Year.
- 3) Bidding and auction arrangements will be supported via the Joint Booking Platform in terms of User bid submission rules and functions, auction closure/progression through bidding rounds, and capacity allocation to successful bids including User notification.
- 4) The aggregate quantity of capacity allocated and the auction clearing price for each Gas Year for each auction will be published on the Joint Booking Platform.
- 5) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the Joint Booking Platform, and no later than the next business day after the close of the bidding round.
- 6) National Grid NTS shall notify the Surrendered Amounts for relevant Gas Years for bundled or unbundled auctions and the associated Surrender Prices to Users who submitted a Surrender Offer and/or who had Withdrawal Offers that National Grid NTS accepted.

### 3.3.2 Annual Quarterly Interconnector Capacity Auctions

- 1) The bid window for the Annual Quarterly Interconnector Capacity Auction shall commence on the first Monday in June of each year, or as otherwise varied in the annually published ENTSOG Auction Calendar. The opening and duration of the bid window will be in accordance with Section 3.3 paragraph 2 of this modification proposal.
- 2) Two weeks prior to the start of bidding, the Joint Booking Platform will publish the following information in respect of all Annual Quarterly Interconnector capacity auctions for each Interconnection Point:
  - a) The amount of bundled capacity made available to Users for each calendar quarter in Capacity Year Y+1;
  - b) The amount of unbundled capacity made available to Users for each calendar quarter in Capacity Year Y+1
  - c) the reserve price for each calendar Quarter;
  - d) Large Price Steps for each calendar Quarter;
  - e) Small Price Steps for each calendar Quarter.

- 3) Bidding and auction arrangements will be supported via the Joint Booking Platform in terms of User bid submission rules and functions, auction closure/progression through bidding rounds, and capacity allocation to successful bids including User notification.
- 4) The aggregate quantity of capacity allocated and the auction clearing price for each calendar quarter for each auction will be published on the Joint Booking Platform.
- 5) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the Joint Booking Platform, and no later than the next business day after the close of the bidding round.
- 6) National Grid NTS shall notify the Surrendered Amounts for relevant calendar quarters for bundled or unbundled auctions and the associated Surrender Prices to Users who submitted a Surrender Offer and/or who had Withdrawal Offers that National Grid NTS accepted.

### 3.3.3 Rolling Monthly Interconnector Capacity Auctions

- 1) The bid window for the Rolling Monthly Interconnector Capacity Auctions shall commence on the third Monday each month, or as otherwise varied in the annually published ENTSOG Auction Calendar. The opening and duration of the bid window will be in accordance with Section 3.3 paragraph 2 of this modification proposal.
- 2) One week prior to the start of bidding, the Joint Booking Platform will publish the following information in respect of both bundled and unbundled Rolling Monthly Interconnector Capacity auctions for each Interconnection Point;
  - a) The amount of capacity made available to Users for the following calendar month;
  - b) the reserve price;
  - c) Large Price Steps;
  - d) Small Price Steps.
- 3) Bidding and auction arrangements will be supported via the Joint Booking Platform in terms of User bid submission rules and functions, auction closure/progression through bidding rounds and, capacity allocation to successful bids including User notification.
- 4) The aggregate quantity of capacity allocated and the auction clearing price for each auction will be published on the Joint Booking Platform.
- 5) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the Joint Booking Platform, and no later than the next business day after the close of the bidding round.
- 6) National Grid NTS shall notify the Surrendered Amounts for bundled or unbundled auctions and the associated Surrender Prices to Users who submitted a Surrender Offer and/or who had Withdrawal Offers that National Grid NTS accepted.

### 3.4 Uniform Price Auctions

- 1) In a uniform price auction, there is a single bidding round in which the User bids price as well as quantity.

#### *Bidding*

- 2) The bid window details shall be specified within the auction specific information within this modification.
- 3) All bids shall specify:
  - a) the amount of capacity applied for;
  - b) the bid price;
  - c) the minimum amount of capacity the User would accept;
  - d) the User (EIC);

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- e) the relevant Interconnection Point and direction of the flow;
  - f) the standard capacity product for which the capacity is applied for in terms of Firm / Interruptible and bundled / unbundled.
- 4) The minimum eligible quantity for a bid is [100,000 kWh/d]
  - 5) A bid shall be considered valid if it is submitted by a User and complies with:
    - a) all provisions of this Section (3.4);
    - b) The User meets UNC (Section V3) credit requirements;
    - c) The sum of all relevant User bids does not exceed the Available capacity for the auction;
    - d) Any other information mandated by the GTCs of the Joint Booking Platform.
  - 6) During the bidding round of a given auction, Users may submit up to 10 bids. Each bid shall be treated independently from other bids. After the closure of the bidding round, remaining bids may not be amended or withdrawn.
  - 7) The Joint Booking Platform shall provide Users with functionality to submit bids automatically before the start of an auction. Bids submitted via this function shall be treated the same as bids submitted manually by a User.
  - 8) Bids may be modified or withdrawn up to the close of the bid window. Once the bid window closes, no modification, withdrawal or variation to valid bids shall be accepted.

#### *Multi-Currency*

- 9) Users may submit bids in either the currency used by National Grid NTS or the currency used by the Adjacent Transporter.
- 10) All bids are internally converted into Euros by the Joint Booking Platform to evaluate the bid stack.
- 11) Once the bids have been allocated then the National Grid NTS share of the successful bids shall be converted to £ sterling. National Grid NTS shall invoice its share of the bid value in £ sterling.

#### *Uniform Price Algorithm*

- 12) Following the closure of the bid window, the bids shall be ranked according to their bid prices, highest price ranked first. Bids are allocated in order of their price ranking.
- 13) In the case where the sum of capacity demanded is less than or equal to the capacity offered in the auction then all the capacity bids shall be allocated in full.
- 14) The highest priced bid(s) shall be allocated first provided there is enough capacity offered in the auction. The next highest priced bid(s) shall be allocated out of the remaining capacity offered in the auction that has not been allocated yet. This shall continue until such times as:
  - a) All bids are allocated in full;
  - b) There is insufficient unallocated capacity available to meet the capacity bid(s) at a particular bid price.
- 15) In the case of 14.b), all capacity bid(s) at the relevant bid price shall be pro-rated so that the remaining unallocated offered capacity is provisionally distributed between them.
- 16) If a provisional allocation for any User, as identified in paragraph 15, is less than the minimum quantity submitted by that User, then the User's bid shall become null and void. The bid stack shall be re-evaluated without the void bid(s) as per paragraph 14.
- 17) Once all the offered capacity for the auction has been allocated to capacity bids then the clearing price for the auction can be determined. The clearing price shall be defined as the price of the lowest successful bid, if the demand exceeds the offer at the reserve price. Where demand is less than the amount of offered

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capacity, then the clearing price shall be equal to the reserve price. All Users who had capacity successfully allocated to them shall pay the clearing price for their capacity (regardless of the price that they bid at).

Where a 1-to-2 situation exists then:

- 18) Where the capacity made available by National Grid NTS is equal to or greater than the sum of the capacities made available by both of the Adjacent Transporters there will be 2 independent auctions of bundled capacity that follow the standard rules set out within this section (3.4).
- 19) Where the capacity made available by National Grid NTS is less than the sum of the capacities made available by the Adjacent Transporters, then the 2 bundled auctions will be linked and the Joint Booking Platform will apply a 2 step process as follows:
  - a) both of the linked auctions are initially evaluated separately in accordance with the standard rules for a Uniform Price Auction. The available capacity for both auctions shall be the capacity made available by the Adjacent Transporters. The initial allocations from these auctions provide intermediate results.
  - b) The successful bids from the intermediate results of the 2 linked auctions are then combined for a second joint evaluation of the bids. The available capacity for the joint evaluation is the capacity made available by National Grid NTS. The allocations from this joint evaluation are the final allocations for the auctions.

### 3.4.1 Rolling Day Ahead Interconnector Capacity Auctions

- 1) The bid window for the Rolling Day Ahead Interconnector Capacity Auctions shall be open between 15:30 and 16:00 hours on the day before the capacity can be utilised.
- 2) At the start of bidding for each Rolling Day Ahead Interconnector Capacity Auction, the Joint Booking Platform will publish the following information in respect of both bundled and unbundled capacity auctions for each Interconnection Point:
  - a) The amount of capacity made available to Users for the following Day;
  - b) the reserve price.
- 3) Bidding and auction arrangements will be supported via the Joint Booking Platform in terms of User bid submission rules and functions, and capacity allocation to successful bids including User notification.
- 4) The aggregate quantity of capacity allocated and the price of the lowest successful bid for each auction will be published on the Joint Booking Platform.
- 5) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the Joint Booking Platform, and no later 30 minutes after the close of the bidding round.

### 3.4.2 Within-Day Interconnector Capacity Auctions

- 1) Daily NTS Interconnector Capacity will also be made available in a series of within-day auctions. Users may submit bids to the Joint Booking Platform for each auction in the series in accordance with the Within-Day Interconnector capacity auction schedule.
- 2) The schedule for Within-Day Interconnector Capacity auctions on the Joint Booking Platform is
  - a) For the first within-day auction for a Day, bids from Users may be submitted the Day before between 18:00 and 01:30 hours and allocations shall be made by 02:00 hours;
  - b) For the second within day auction for a Day, bids from Users may be submitted the Day before between 02:00 and 02:30 hours and allocations shall be made by 03:00 hours;

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- c) Following on from the second within-day auction Users may submit bids in any of a series of bid windows for a series of auctions that commence on the hour, have a duration of 30 minutes and allocations shall be made within 30 minutes of closure of each in the series of bidding rounds;
  - d) For the last within-day auction for a Day, bids from Users may be submitted on this Day between 00:00 (midnight) and 00:30 hours and allocations shall be made by 01:00 hours.
- 3) Within Day Interconnector Capacity allocated in the first bidding window (i.e. before 01.30 on the previous Day) shall have an effective flow time of 05:00. All other Interconnector Capacity allocated within day, shall have an effective flow time of 3.5 hours following the closure of the relevant bid window.
  - 4) At the start of the first within-day auction for a Day, the Joint Booking Platform will publish the following information in respect of both bundled and unbundled capacity auctions for each Interconnection Point;
    - a) The amount of capacity made available to Users for the Day;
    - b) the reserve price;
  - 5) Bidding and auction arrangements will be supported via the Joint Booking Platform in terms of User bid submission rules and functions, and capacity allocation to successful bids including User notification.
  - 6) The aggregate quantity of capacity allocated and the price of the clearing price for each auction will be published on the Joint Booking Platform.
  - 7) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the Joint Booking Platform, and no later 30 minutes after the close of the bidding round.

### 3.4.3 Interruptible Rolling Day Ahead Interconnector Capacity Auctions

- 1) Each Day, Interruptible NTS Interconnector Capacity will be made available in an Interruptible Rolling Day Ahead Interconnector Capacity auction on an unbundled basis on the Joint Booking Platform.
- 2) Bids from Users in Interruptible Rolling Day Ahead Interconnector Capacity Auctions may be submitted to the Joint Booking Platform each day for the following day between 16:30 and 17:00 hours.
- 3) At the start of bidding for each Interruptible Rolling Day Ahead Interconnector Capacity Auction, the Joint Booking Platform will publish the following information:
  - a) The amount of Interruptible NTS Interconnector Capacity made available to Users for the following Day;
  - b) The reserve price.
- 4) The amount of Interruptible NTS Interconnector Capacity made available to Users will be in accordance with the following rules for Interconnection Points with bi-directional physical flow:
  - a) The amount of Interruptible NTS Interconnector Entry Capacity made available will be based on existing provisions in the UNC TPD B2.5.10/2.5.11 (i.e. an amount based on unutilised firm capacity (assessed from a rolling 30 day average) plus any additional amount released at the sole discretion of National Grid NTS);
  - b) The amount of Interruptible NTS Interconnector Exit Capacity made available will be based on existing provisions in the UNC TPD B3.6.2 (b) (defined in terms of Off-peak Daily NTS Exit (Flat) Capacity) (i.e. an amount based on unutilised firm capacity (assessed from a rolling 30 day average) plus an off

peak amount based on the MNEPOR – firm bookings, plus any additional amount released at the sole discretion of National Grid NTS).

- 5) Interruptible NTS Interconnector Capacity shall continue to be offered day ahead, in line with the Interconnector Agreements, in order to provide a reverse flow service at Interconnection Points where physical flow is only possible in one flow direction.
- 6) Bidding and auction arrangements will be supported via the Joint Booking Platform in terms of User bid submission rules and functions, and capacity allocation to successful bids including User notification.
- 7) The aggregate quantity of capacity allocated and the clearing price for each auction shall be published on the Joint Booking Platform.
- 8) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the Joint Booking Platform, and no later 30 minutes after the close of the bidding round.

### 3.5 Surrender Process at Interconnection Points

- 1) Users can place Surrender Offers for their Firm NTS Interconnector Capacity through the Joint Booking Platform.
- 2) Users may submit Surrender Offers at any time, but only those offers received by the Surrender Submission Deadline before an auction starts will be considered for reallocation in that auction. The Surrender Submission Deadline for an auction shall be 5pm, 5 business days prior to the day that the amount of available capacity for an auction is published. Based on the current ENTSOG auction calendar the Surrender Submission Deadlines are:
  - a) 5pm one month plus 5 business days before an Annual Yearly Capacity auction;
  - b) 5pm two weeks plus 5 business days before an Annual Quarterly Capacity auction;
  - c) 5pm one week plus 5 business days before a Rolling Monthly Capacity auction
- 3) National Grid NTS requires the User to enter the following information via the Joint Booking Platform:
  - a) Start and End date of Surrender Offer;
  - b) Surrender quantity;
  - c) Location (including direction of gas flow);
  - d) Transporter (2 Transporters in case of bundled capacity);
  - e) Any other information mandated by the GTC of the Joint Booking Platform.
- 4) There shall be a minimum Surrender Offer quantity of 100,000 kWh/d.
- 5) The Surrender Offers will be transferred immediately from the Joint Booking Platform to the relevant Transporter(s).
- 6) The start and end dates of the Surrender Offer shall be used to determine which auction the offer is placed in. The Start and End dates should form:
  - a) A yearly Surrender Offer for a period of a whole Gas Year with a start date of 1<sup>st</sup> Oct;
  - b) A quarterly Surrender Offer for a period of a whole calendar quarter with a start date of 1<sup>st</sup> Oct, 1<sup>st</sup> Jan, 1<sup>st</sup> Apr or 1<sup>st</sup> Jul;
  - c) A monthly Surrender Offer for a period of a whole calendar month with a start date of the 1<sup>st</sup> day of any calendar month.
- 7) Subject to the Surrender Submission Deadline:
  - a) a yearly Surrender Offer shall be placed in the next relevant Annual Yearly Interconnector Capacity Auction;
  - b) a quarterly Surrender Offer shall be placed in the relevant Annual Quarterly

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- Interconnector Capacity Auction;
- c) a monthly Surrender Offer shall be placed in the relevant Rolling Monthly Interconnector Capacity Auction.
- 8) Upon receipt of the Surrender Offer, National Grid NTS will perform the following verification on Surrender Offers:
- a) Can the Surrender Offer be placed in the next Annual Yearly Interconnector Capacity Auction, the next Annual Quarterly Interconnector Capacity Auction, or the next Rolling Monthly Interconnector Capacity Auction, based on the start and end dates provided?
- b) Is the User within the maximum number of Surrender Offers per User - A maximum of [10] Surrender Offers will be allowed per Interconnection Point per flow direction per capacity period at any time?
- c) Does the User have a sufficient firm component of the Fully Adjusted Available Capacity taking into consideration any existing Surrender or LT UIOLI offers?
- 9) A Surrender Offer may be rejected where it does not meet any of the above validations.
- 10) In the case where the Surrender Offer is for capacity bundled with another Transporter, National Grid NTS will make the Surrendered Amount available in the relevant auction only when the other Transporter has also confirmed the surrender verification via the Joint Booking Platform.
- 11) Users can view the verification results of the Surrender Offer by respective Transporters on the Joint Booking Platform. Users must then confirm the validated Surrender Offer on the Joint Booking Platform to complete the process.
- a) In the case where the User does not confirm the Surrender Offer by the Surrender Submission Deadline the Surrender Offer will be rejected (in UK Link).
- 12) Users will also be able to view the status of their own Surrender Offers on UK Link.
- 13) Users will be able to withdraw the Surrender Offers (via UK Link) until the Surrender Submission Deadline. The Surrender Offers withdrawn will not feed into the next auction. Users will not be able to withdraw the Surrender Offers via the Joint Booking Platform.
- 14) After the Surrender Submission Deadline for any auction is reached, all relevant confirmed Surrender Offers will be made available in that auction.
- 15) A Surrender Offer placed in an auction shall expire at the end of that auction after National Grid NTS determines if any part of that offer shall be re-allocated.
- 16) Upon receiving the allocation results of the auction from the Joint Booking Platform, National Grid NTS will determine if any Surrender Offers should be re-allocated in accordance with the following rules:
- a) Any unsold Technical Capacity shall be allocated prior to re-allocation of any Surrender Offers;
- b) Surrender Offers shall be allocated next, prior to any re-allocation of LT UIOLI offers, or any allocation of Additional capacity;
- c) Surrender Offers will be considered on a first come first reallocated basis using the Surrender Offer timestamp. Where 2 or more Surrender Offers have the same timestamp then they shall be reallocated, if required, on the basis of proration of the relevant Surrender Offer quantities.

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- 17) Upon reallocation of the Surrender Offer, the Surrendering User's Available Capacity shall reduce by the re-allocated amount, but it shall remain Registered to

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the original User. In the case of a bundled Surrender Offer the bundled component of the User's Available NTS Capacity shall be reduced by National Grid NTS; in the case of an unbundled Surrender Offer the unbundled component of the User's Available NTS Capacity shall be reduced by National Grid NTS.

- 18) The Surrendering User shall receive a credit for any reallocated Surrender Offers. The Surrender price is equal to the clearing price for the reallocating auction(s).
- 19) National Grid NTS shall notify the User of any reallocation of its Surrender Offer in conjunction with the results of the auction.

### 3.6 Long Term Use-It-or-Lose-It (LT UIOLI) Process

- 1) For info: Interim arrangements are currently being developed for LT UIOLI under UNC modification proposal 485. To avoid parallel development and discussions, this mod will aim to avoid any unnecessary overlap with mod 485. This modification does not propose any alternative to mod 485 with regards to a). monitoring of utilisation, b). National Grid NTS reporting of Utilisation to Ofgem, and c). the User justification/appeals process.
- 2) An amended LT UIOLI withdrawal process is proposed to compliment the new Interconnector Capacity Auctions. This is detailed below.
- 3) LT UIOLI offers will be submitted by National Grid NTS on behalf of Users, following written direction from Ofgem.
- 4) National Grid NTS may decrease a LT UIOLI offer if the User does not have a sufficient firm component of Fully Adjusted Available Capacity taking account of any existing Surrender or LT UIOLI offers that can be re-allocated.
- 5) LT UIOLI offers will be entered into the next available auction subject to the LT UIOLI submission deadline.
- 6) The LT UIOLI submission deadline will be the same as the Surrender Submission Deadline.
- 7) Upon receiving the allocation results of the auction from the Joint Booking Platform, National Grid NTS will evaluate if any LT UIOLI offers should be re-allocated in accordance with the following rules:
  - a) Any unsold Technical Capacity & Surrender offers shall be allocated prior to re-allocation of any LT UIOLI offers;
  - b) LT UIOLI Withdrawal Offers shall be allocated next, prior to any allocation of Additional capacity;
  - c) All LT UIOLI Withdrawal Offers will be treated equally and will be prorated (on quantity) for re-allocation.
- 8) Upon reallocation of the Withdrawal Offer, the originating User's Available Capacity shall reduce by the re-allocated amount, but the Registration shall remain unchanged. In the case of a bundled Withdrawal Offer the bundled component of the originating User's Available NTS Capacity shall be reduced by National Grid NTS; in the case of an unbundled Withdrawal Offer the unbundled component of the originating User's Available NTS Capacity shall be reduced by National Grid NTS.
- 9) Upon re-allocation of the LT UIOLI Withdrawal Offer the originating User may receive a credit for any capacity that is re-allocated. The price credited for the Withdrawal Offer shall be the same as the clearing price of the relevant auction it is re-allocated in, up to a cap of the weighted average price that User has paid for their Registered capacity for the relevant Gas Day.

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- 10) Any unsold LT UIOLI quantity from an auction shall be entered into the next relevant yearly, quarterly or monthly auction(s).
- 11) National Grid NTS shall notify the User of any reallocation of its Long Term UIOLI Withdrawal Offers in conjunction with the results of the auction.

### 3.7 Curtailment of Interruptible NTS Interconnector Capacity

- 1) Interruptible NTS Interconnector Capacity for System Exit is equivalent to Off-peak Daily NTS Exit (Flat) Capacity, and Interruptible NTS Interconnector Capacity for System Entry is equivalent to Daily Interruptible NTS Entry Capacity with the following exceptions:
  - a) The minimum notice period for curtailment is 75 minutes;
  - b) Interruptible NTS Interconnector Capacity will be curtailed based on the timestamps of capacity allocations. Where Interruptible NTS Interconnector Capacity has the same timestamp then the Interruptible NTS Interconnector Capacity shall be curtailed based on pro-ration. (for info: as only a single auction for Interruptible NTS Interconnector Capacity is currently proposed, then all Interruptible NTS Interconnector Capacity shall have the same timestamp.)

### 3.8 Capacity Constraint Management of NTS Interconnector Capacity

- 1) Capacity Constraint Management of NTS Interconnector Capacity is the same as set out in the prevailing UNC with the exceptions set out in this modification proposal.
- 2) National Grid NTS shall for each User, following completion of a buy back (daily buy back, forward agreement or options exercised) give priority to reducing unbundled capacity over bundled capacity in accordance with the following steps;
  - a) Unbundled capacity shall be reduced first;
  - b) If unbundled Fully Adjusted Available Capacity is reduced down to 0, then bundled capacity shall be reduced.
  - c) If bundled Fully Adjusted Available Capacity is also reduced to zero, then any further reduction shall be accounted for by reducing the unbundled component of capacity below zero.

### 3.9 Transfer of NTS Interconnector Capacity

- 1) The prevailing UNC rules for Transfers shall be amended as follows for Interconnection Points.
- 2) The Joint Booking Platform will provide functionalities for Users to offer and obtain secondary capacity. The Joint Booking Platform shall allow for either the Transferor User or the Transferee User to set up the offer/request, and the following information should be specified:
  - a) The proposing User (EIC);
  - b) The counterparty User (EIC);
  - c) The Trading Procedure (i.e. OTC);
  - d) Whether a buy or sell is being set up by the proposer;
  - e) The Transporter (2 in case of capacity registered to the selling User as bundled);
  - f) Transaction Type (i.e. Transfer);
  - g) Location (including direction of gas flow);
  - h) The amount of NTS Interconnector Capacity;
  - i) Capacity Type (e.g. firm);
  - j) Bundling information (bundled or unbundled);
  - k) Transfer Period first and last Days;
  - l) Price;
  - m) Any other information mandated by the GTC of the Joint Booking Platform.

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- 3) Once the counterparty has confirmed the Transfer proposal a deal is then created on the Joint Booking Platform that is subject to Transporter approval.
- 4) A Transfer will be validated in line with the following rules:
  - a) Users have secondary market access;
  - b) Trading Procedure should be OTC;
  - c) Transaction Type should be Transfer (not assignment);
  - d) Transferor has sufficient Capacity:
    - i) for a bundled firm Transfer the Transferor should have sufficient bundled firm Fully Adjusted Available Capacity;
    - ii) for an unbundled transfer the Transferor should have sufficient unbundled firm Fully Adjusted Available Capacity;
    - iii) for an interruptible Transfer the Transferor should have sufficient Available Interruptible Capacity.
  - e) In the case of NTS Exit (Flat) Capacity then Capacity Type should be Firm;
  - f) Transferee should be different to Transferor;
  - g) Deal notification is received by National Grid NTS by 03:00 on the day of the Capacity Transfer;
  - h) Transferee does not have a credit sanction in place (under Section V of the UNC).
- 5) National Grid NTS may, but shall not be required to, reject a Transfer where it does not meet any of the validation rules listed above.
- 6) National Grid NTS shall notify the Joint Booking Platform whether a Transfer is approved or rejected, within 60 minutes of receiving notification of a Transfer Deal.
- 7) In the case of a bundled Transfer then both National Grid NTS and the relevant Adjacent Transporter must approve a deal or else it will be rejected.
- 8) For the avoidance of doubt, in the case of an unbundled Transfer of NTS Interconnector Capacity only National Grid NTS will approve the Transfer.
- 9) All Capacity Transfers for Interconnection Points should be completed using the Joint Booking Platform.

### 3.10 Charging Methodology for NTS Interconnector Capacity

- 1) The charging methodology changes as described below will only apply for the NTS Interconnector Capacity at Interconnection Points. NTS prices for unbundled capacity and the NTS component of bundled capacity prices shall be the same.
- 2) For NTS Entry the changes to the arrangements for Interconnection Points are as specified in this proposal.
- 3) The NTS Entry Capacity Reserve Prices which will apply for the Interconnector Capacity Auctions will be based on the current methodologies for determining reserve prices for the relevant auctions as outlined below:

<b>Interconnector Capacity Auction</b>	<b>Applicable Published Prices to which capacity relates</b>
Annual Yearly	QSEC
Annual Quarterly	QSEC
Rolling Monthly	MSEC
Rolling Day Ahead	DADSEC
Within Day	WDDSEC
Interruptible	DISEC

- 4) The introduction of auction based pricing for NTS Exit Prices to apply at Interconnection Points for NTS Interconnector Exit Capacity is as described below.
- 5) The NTS Exit Capacity Reserve Prices which will apply to Interconnector Capacity Auctions will be based on the current methodologies for determining prices as outlined below:

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<b>Interconnector Capacity Auction</b>	<b>Applicable Published Prices to which capacity relates</b>
Annual Yearly	Indicative Exit Capacity Prices
Annual Quarterly	Final Exit Capacity Prices
Rolling Monthly	Final Exit Capacity Prices
Rolling Day Ahead	Final Exit Capacity Prices
Within Day	Final Exit Capacity Prices
Interruptible	NTS Exit Off-peak Prices

- 6) The Final NTS Exit Capacity Prices are published annually in May (Gas Year Y) to be effective from the following October (Gas Year Y+1). The Annual Yearly Interconnector Capacity Auction which is held in March will use the latest Indicative Exit Capacity Prices and therefore in accordance with the existing methodology the resultant prices will also be subject to an adjustment in the year that the Capacity is used. This adjustment is to help ensure that the final charges are designed to recover 50% of the TO Allowed Revenue.
- 7) NTS Interconnector Exit Capacity at Interconnection Points will be sold based on the Reserve Price noted above plus National Grid NTS' proportion of the Auction Premium. NTS Interconnector Exit Capacity will be invoiced on this amount, with the exception of Annual Yearly Capacity as the Reserve Price is based on an Indicative Exit Capacity Price.
- 8) National Grid NTS' proportion of any Auction Premium will remain fixed upon closure of the relevant auction.
- 9) For Ascending Clock Auctions the Large Price Step shall be the greater of [5%] of the reserve price or [0.0005] p/kWh/day.
- 10) For Ascending Clock Auctions the Small Price Step will be one fifth of the Large Price Step unless specified otherwise in the Joint Booking Platform General Terms and Conditions.
- 11) New notices of reserve prices will be produced for the Annual Yearly and Annual Quarterly Interconnector Capacity Auctions. The notices will be issued a minimum of one month before the Interconnector Capacity Auction takes place as specified in National Grid's GT Licence in respect of the NTS.
- 12) Applicable statements of Transportation charges will be published in accordance with current obligations.
- 13) Updates to any applicable Charging Documents will ensure that these are consistent with the approach currently applied for Non Interconnection Points (i.e. UK domestic) and the new approach for Interconnection Points.
- 14) UNC Section Y updates will need to ensure that the relevant information is equally applicable to Interconnection Points as well as non Interconnection Points.
- 15) The following parts of Section Y of the UNC will need to be amended:
  - a) Chapter 1
  - b) Chapter 2
  - c) Chapter 2: Table 1 and Table 2
  - d) Appendix B
- 16) Charges for Interconnection Points will only be produced for Interconnector Capacity Auctions.
- 17) The current methodology applying for non Interconnection Points will remain as already set out in UNC Section Y.
- 18) There are no amendments to the methodology of calculating Commodity Rates or who pays the Commodity Rates.
- 19) All charges will continue to be published in 4 decimal places and in p/kWh/day.

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- 20) The existing arrangements concerning the discounts of reserve prices for Daily and Within Day auctions will continue to apply.

### 3.11 Transitional Arrangements

- 1) All holdings of Enduring Annual NTS Exit (Flat) Capacity at Interconnection Points shall be reduced to zero on the later of 1<sup>st</sup> October [2020] or the date User Commitment is satisfied.
- 2) An Assignment process shall remain in place for any legacy Exit (Flat) Capacity at Interconnection Points if/while Enduring Annual NTS Exit (Flat) Capacity and Annual NTS Exit (Flat) Capacity remains. Assignment of Capacity Registered under Interconnector Capacity Auctions is not permitted.
- 3) A Reduction process shall remain in place for any legacy NTS Exit (Flat) Capacity at Interconnection Points if/while Enduring Annual Capacity remains.
- 4) 2015 annual auctions/applications shall continue, as per current UNC arrangements, until the implementation date for this modification.
- 5) Any Surrender offers received by National Grid NTS prior to the start of the Gas Day 1<sup>st</sup> Nov 2015, shall be deemed to have a Surrender timestamp of 05:00 1<sup>st</sup> Nov 2015.
- 6) For info - the last capacity auctions and applications for capacity at Interconnection Points before the commencement of Interconnector Capacity Auctions will be;

<b>Auction/Application Process</b>	<b>Date of Process</b>	<b>Capacity Period</b>
AMSEC NTS Entry Capacity	February 2015	April 2015 to September 2016
QSEC NTS Entry Capacity	March 2015	October 2016 to September 2031
Enduring Annual NTS Exit (Flat) Capacity	July 2015	October 2019 onwards
Annual NTS Exit (Flat) Capacity	July 2015	October 2015 to September 2018
RMTnTSEC NTS Entry Capacity	September 2015	October 2015
Daily (including Within Day) NTS Capacity Auctions	October 2015	31 <sup>st</sup> October 2015

- 7) The first Rolling Monthly Interconnector Capacity Auction shall be held in November 2015 for Capacity Period 1<sup>st</sup> Dec – 31<sup>st</sup> Dec 2015. Interconnection Points shall not be included in the October RMTnTSEC for Capacity Period 1<sup>st</sup> Nov – 30<sup>th</sup> Nov.
- 8) The first Rolling Day Ahead Interconnector Capacity Auction shall be held on the 31<sup>st</sup> October 2015 for gas day 1<sup>st</sup> Nov 2015.
- 9) The first Within Day Interconnector Capacity Auction shall commence on the 31<sup>st</sup> October 2015 for gas day 1<sup>st</sup> Nov 2015.
- 10) The first Annual Yearly Interconnector Capacity Auction shall be held in March 2016 for the 15 Gas Years commencing 1<sup>st</sup> October 2016 through to 1<sup>st</sup> October 2030.
- 11) The first Annual Quarterly Interconnector Capacity Auction shall be held in June 2016 for the calendar quarters commencing 1<sup>st</sup> October 2016, 1<sup>st</sup> January 2017, 1<sup>st</sup> April 2017 and 1<sup>st</sup> July 2017.

### 3.12 Voluntary Bundling

- 1) A User may submit a request to National Grid NTS for the firm unbundled component of its Available NTS Interconnector Capacity at an Interconnection Point to be recorded as bundled.

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- 2) The User request will;
  - a) Provide at least [two] months' notice before the first effective date for the relevant capacity period;
  - b) Specify the Interconnection Point and flow direction and bundling Adjacent Transporter;
  - c) Specify the User (EIC);
  - d) Specify the start and end dates of the relevant capacity period;
  - e) Specify the amount of NTS Interconnector Capacity to be bundled for the relevant capacity period.
- 3) National Grid will accept a bundling request if the User:
  - a) has a sufficient firm unbundled component of Available NTS Interconnector Capacity for the duration of the relevant capacity period;
  - b) has submitted a valid EIC.
- 4) National Grid NTS will notify the relevant Adjacent Transporter, using details from the bundling request:
  - a) The User (EIC);
  - b) The Interconnection Point and direction of gas flow;
  - c) The start and end dates of the capacity period(s);
  - d) The capacity amount(s).
- 5) Provided National Grid NTS receives from the Adjacent Transporter acceptance of the bundling request in respect of the bundling request within [one] month before the first effective date for bundling, National Grid NTS will adjust the firm bundled and firm unbundled components of the User's Available NTS Interconnector Capacity in line with the bundling request.
- 6) National Grid NTS may receive a bundling request from an Adjacent Transporter and may respond with acceptance where:
  - a) There is at least [one] month's notice before the first effective date for bundling;
  - b) The conditions specified in paragraph 3 are met.
- 7) National Grid NTS will notify the requesting User which of its bundling requests are accepted no later than [5] Business Days before the first effective date for bundling.

### 3.13 Further references in UNC affected by EU Capacity Regulations

- 1) The UNC Overrun price and charge determination for each Interconnection Point that is an ASEP will be as per the current Overrun calculation for an ASEP. The UNC Overrun price and charge determination for each Interconnection Point that is an NTS Exit Point will be as per the current Overrun calculation for NTS Exit Points. For the purposes of the determining the highest bid price for the overrun charge in the case of bundled capacity, then only the share of the User's bid that is due to National Grid NTS shall be considered. (The share due to the Adjacent Transporter shall not be included).
- 2) The Surrender and re-allocation of surrendered quantities shall feed into Capacity Neutrality. The withdrawal and re-allocation of LT UIOLI quantities shall feed into Capacity Neutrality.
- 3) The price paid for bundled capacity is effectively 2 separate transactions, recognising that the bundle consists of both NTS Interconnector Capacity and the capacity of the Adjacent Transporter. National Grid NTS will invoice all charges relating to NTS Interconnector Capacity only, in accordance with UNC TPD Section S. Adjacent Transporters will be responsible for the invoicing of their capacity.
- 4) UNC Section I and J Liability Arrangements will continue with regards to NTS Interconnector Capacity.
- 5) Transparency reporting requirements introduced by CMP for 1<sup>st</sup> Oct 2013 shall continue to be produced and published via the National Grid NTS website and via the ENTSOG Transparency Platform.

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- 6) Where a User holds bundled capacity at an Interconnection Point, then a Voluntary Discontinuance can only take place with the permission of the Adjacent Transporter(s).
- 7) In the event National Grid NTS applies a Termination Notice where the User has acquired capacity on a bundled basis, the relevant Adjacent Transporters may be notified what bundled capacity has been terminated by National Grid NTS.
- 8) UNC Ancillary Agreements relating to Interconnection Points will include reference to relevant NTS Interconnector Capacity arrangements defined in this modification proposal.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
Not applicable
Proposed charge(s) for application of User Pays charges to Users.
Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
Not applicable

## 4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

### **g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators**

This Modification Proposal will facilitate compliance with European legislative requirements contained within EU Regulation 984/2013 and continued compliance with EU Congestion Management Procedures.

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## 5 Implementation

No implementation timescales are proposed. The European Commission has specified that this regulation should come into effect on 1st November 2015.

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## 6 Legal Text

Suggested Legal Text shall be provided at a suitable stage during development.

## 7 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance; and
- Progress to Workgroup assessment.