

# 0501C:

Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations, including a capped capacity return option and an aggregate overrun regime



Proposer: Simon Witter, eni UK Limited

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# Why change?



- CAM implementation means Bacton ASEP must undergo a unique and fundamental change and Mod 0501C is proposed to build on Mod 0501 and deliver a full and adequate solution to the Bacton split.
- Major issues raised by Mod 0501
  - Current flexibility / fungibility to utilise LT entry capacity bookings to flow both UKCS and Interconnector gas at any time is being removed.
  - There has been no long term signal or market price for entry capacity to be 'reserved' for an I/C asset specific IP ASEP.
  - Interconnectors are being competitively advantaged versus all other Bacton supply assets.
  - These fundamental changes combine to significantly erode the value of current LT entry capacity bookings and provide cost cross-subsidisation to other users.
- Mod 0501C aims to adequately address these issues and thus maintain the value and flexibility of existing LT entry capacity bookings at Bacton.

# Solution



- Similar to Mod 0501A & B, Mod 501C builds on modification proposal 0501 “Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations”.
- Proposal allows a capacity return option exactly as modification 0501A but limits this to a maximum of 73.01% of the users capacity holding. This equates to the amount of current Bacton ASEP Obligated Capacity that is being allocated to the new IP ASEP to match the technical capacities of the Interconnectors. This Obligated Capacity split ratio reflects Ofgem’s minded-to position on implementing CAM at Bacton.
- In addition the Proposed Modification includes a ‘Flexibility Package’ in order to ensure that the LT Entry Capacity that remains after the allocation process continues to enjoy the fungibility of the original product.
- The Flexibility Package contains two elements
  - An aggregate overrun regime that allows existing LT capacity once allocated to a particular ASEP to be used at the other without overrun charges accruing.
  - To avoid the situation of paying for entry capacity twice allows a refund of the entry capacity charge within a bundled Interconnector product when the aggregate overrun regime is utilised to flow gas into the NTS at the IP ASEP.
- eni’s view is that this balanced solution equitably restores value and flexibility to current LT Entry Capacity holdings at the Bacton ASEP whilst facilitating the implementation of the CAM regime; furthermore, it is a solution which facilitates Relevant Objectives (b), (c), (d) and (g).

# Key elements of the different proposals



## Mod 501



## Mod 501A



## Mod 501C



## Mod 501B



# Recommended Steps



- The Proposer recommends that this modification should be:
  - **Referred to the workgroup for assessment** (as an alternative to Mods 0501, 0501A and 0501B)
- A detailed overview of this proposal was provided to the European Workgroup on 5<sup>th</sup> November.
- The Workgroup recommendation was that this modification should be considered with the other 501 modifications.
- Ofgem has encouraged the Workgroup to take its time in working through this complex issue to develop a full and adequate solution. Time is available as Ofgem will not complete their Statutory Consultation on the proposed Bacton Transporter Licence amendment until at least January 2015.
- Request of the Modification Panel is to refer this proposed Modification 501C to the Workgroup so that it can be developed alongside the other 501 proposals. Current Workgroup intention is to come to Panel with final 501 proposals in January.