

## Stage 02: Workgroup Report

# 0500:

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

At what stage is this document in the process?



This modification 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 Workgroup recommends that this modification should now proceed to consultation



High Impact:  
Shippers and National Grid NTS



Medium Impact:



Low Impact:

0500

Modification

05 November 2014

Version 1.0

Page 1 of 37

## Contents

1	Summary	3
2	Why Change?	5
3	Solution	7
4	Relevant Objectives	33
5	Implementation	33
6	Legal Text	34
7	Recommendation	34

## About this document:

This modification will be presented to the panel on 20 November 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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0500

Modification

05 November 2014

Version 1.0

Page 2 of 37

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that Self Governance procedures are not suitable because this modification is likely to have a material effect on commercial activities connected with the transportation of gas conveyed via the National Transmission System (NTS) 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).

## 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 IPs 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 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;
- available Bundled Capacity can only be resold as Bundled Capacity on the secondary market;
- a Joint Booking Platform (JBP) for the sale and purchase of capacity at IPs;

0500

Modification

05 November 2014

Version 1.0

Page 3 of 37

- where required adapt pre-existing CMP solutions to apply to CAM products and auction processes and the JBP;
- adapt the existing charging methodology until the Tariff code comes into effect to ensure prices are defined for initial CAM capacity auctions.

## 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.

Implementation of this modification would better facilitate the following relevant charging objective:

e) 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 should 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.

## 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 IPs 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 IPs need to be modified to comply with the requirements of CAM and CMP at IPs

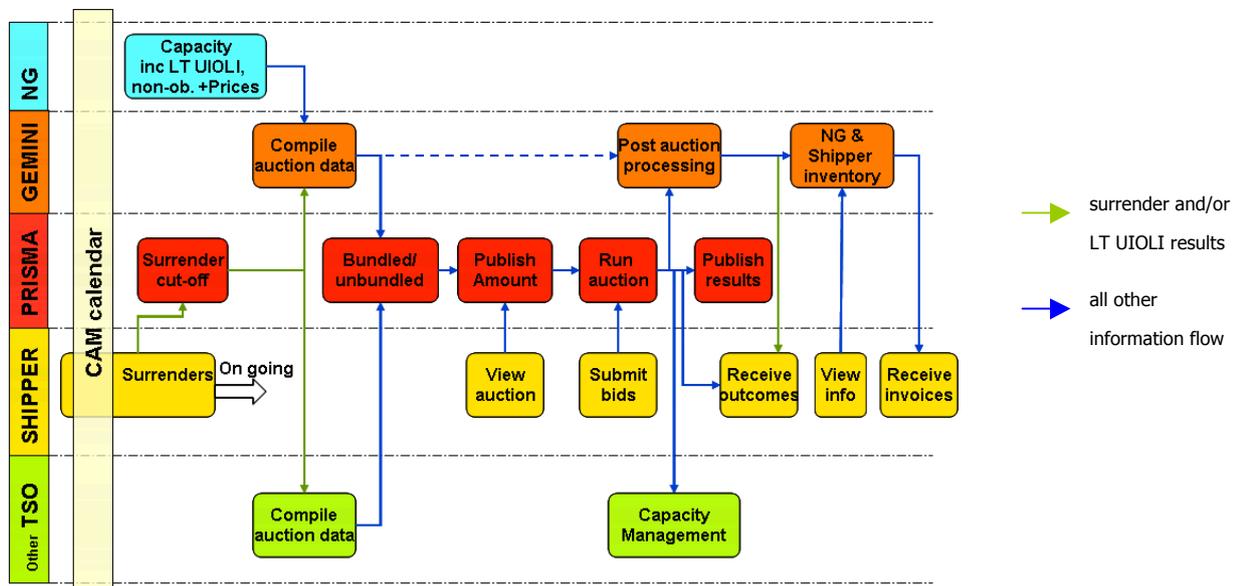
The below table outlines the products, algorithm types and (GMT/BST) timings associated with each CAM auction.

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	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	0500 0500 Modification 05 November 2014

Version 1.0

Within Day	hourly	Firm D	Hour bar + 3.5 from end of bid window	D-1 18:00	After closure of the day ahead auctions	30 minutes after the bidding round closes	
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Following its stakeholder consultation regarding the PRISMA platform, National Grid NTS will be utilising PRISMA as the JBP for National Grid NTS IPs. 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 IPs shall primarily be the PRISMA platform, however some User actions shall necessarily remain on existing National Grid NTS IT 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.



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 IPs.
- The CAM code defines a 'Gas Day' as 5:00 to 5:00 GMT/BST.
- The CAM code applies only to IPs and so steps may be taken to disaggregate any points where IPs are currently commercially combined with non IPs.
- The 'Firm Day Ahead Use-it-or-Lose-it' mechanism under CMP.

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

## 3 Solution

It is proposed to introduce new processes at IPs 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>2</sup>.

### 3.1 New Terms

- 1) **“1-to-1 situation”** is a situation where there is a single Transporter on either side of an IP.
- 2) **“1-to-2 situation”** is where there is a single Transporter on one side of an IP (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 NTS at an IP.
- 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 IP Capacity Auction.
- 6) **“Automatic Bidding”** means a JBP function that allows Users to submit bids before the start of an Interconnection Capacity Auction.
- 7) **“Bundled Capacity”** means NTS capacity at an IP that Users can obtain via bid(s) 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.
- 8) **“Daily NTS Interconnection Point 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 Interconnection Point Capacity”** is NTS IP Capacity which is not subject to curtailment.
- 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) **“Interconnection Point Capacity Auction”** means capacity allocation mechanisms at IPs where Users have the opportunity to obtain NTS IP Capacity.

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<sup>2</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

- 13) “**Interruptible NTS Interconnection Point Capacity**” means **Daily NTS Interconnection Point 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 IP.
- 15) A “**Large Price Step**” is the increase in price between each round of an Ascending Clock Auction prior to the First Time Undersell.
- 16) “**Monthly NTS Interconnection Point 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 Interconnection Point Capacity**” means either NTS Entry Capacity or NTS Exit Capacity at IPs, and may be bundled or unbundled.
- 18) “**Operational Start Date**” means the earliest date from which IP Capacity processes are available at each IP.
- 19) “**Oversell**” means an occurrence where capacity demand in any round of an Ascending Clock Auction, is greater than the quantity of capacity offered.
- 20) “**Quarterly NTS Interconnection Point 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.
- 21) A “**Small Price Step**” is the increase in price between each round of an Ascending Clock Auction after the First Time Undersell.
- 22) “**Technical Capacity**” means the **Obligated Entry Capacity**, or the **Baseline NTS Exit (Flat) Capacity**.
- 23) “**Unbundled NTS Interconnection Point Capacity**” means NTS Interconnection Point Capacity at an IP, which is not bundled.
- 24) “**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 a common clearing price.
- 25) “**Yearly NTS Interconnection Point 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) For gas days from the 1<sup>st</sup> Nov 2015 onwards, NTS IP Capacity may only be Registered by Users through auctions that comply with Capacity Allocation Mechanisms (CAM), as defined in this modification proposal.
- 2) National Grid NTS shall apply this Regulation by offering capacity by means of a JBP. Capacity auctioned on the JBP may be offered and Registered to Users as bundled or unbundled capacity (in accordance with paragraphs 18 & 19 below).
- 3) The JBP shall allow National Grid NTS to offer, and Users to obtain NTS IP Capacity, and for Users to trade capacity on a secondary market.

0500

Modification

05 November 2014

Version 1.0

Page 8 of 37

- 4) The JBP shall have General Terms and Conditions (GTCs) and a user registration process. Any party wishing to obtain NTS IP Capacity must first agree to the GTCs for the platform, and additionally any parties applying to use the primary and/or secondary functionalities of the JBP shall first be approved by National Grid NTS. National Grid NTS shall approve all applications for use of the JBP so long as the proposed platform user represents a Shipper User under the UNC.
- 5) Users shall be identified on the JBP by an Energy Identity Code (EIC)<sup>3</sup>. Users require an EIC before using functionalities offered on the JBP.
- 6) Capacity at IPs shall be offered for auction on not more than one JBP.
- 7) National Grid NTS and Users shall be bound for the purposes of the UNC by the outcome of the application of the JBP processes.
- 8) Relevant User Information on the JBP will be transferred to National Grid NTS IT systems, in order to complete processes described within this modification
- 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 IP Capacity through the following IP Capacity Auctions on the JBP:
  - a) Annual Yearly IP Capacity Auction. In this auction Users may apply for and be registered as holding firm Annual NTS IP Capacity;
  - b) Annual Quarterly IP Capacity Auction. In this auction Users may apply for and be registered as holding firm Quarterly NTS IP Capacity;
  - c) Rolling Monthly IP Capacity Auction. In this auction Users may apply for and be registered as holding firm Monthly NTS IP Capacity;
  - d) Rolling Day Ahead IP Capacity Auction. In this auction Users may apply for and be registered as holding firm Daily NTS IP Capacity;
  - e) Interruptible Rolling Day Ahead IP Capacity Auction. In this auction Users may apply for and be registered as holding Interruptible NTS IP Capacity;
  - f) Within Day IP Capacity Auction. In this auction Users may apply for and be registered as holding firm Daily NTS IP Capacity.
- 11) NTS IP Capacity may be sold on the Joint Platform in either kWh/h or kWh/d. When capacity is sold as kWh/h then the available capacity offered in an auction shall be the daily value (in kWh/d) divided by 24. (note: 23 or 25 will be used for clock change days)
- 12) Where NTS IP Capacity is expressed in kWh/h on the JBP, then the Registered quantity (in kWh/d) in UK Link shall be the successful bid quantity multiplied by the number of hours remaining in the day from the capacity effective time. (For the avoidance of doubt: where NTS IP Capacity is expressed in kWh/d on the JBP, then the Registered quantity in UK Link shall simply be the successful bid quantity.)
- 13) Where NTS IP Capacity is expressed at an IP in kWh/h via auctions on the JBP, then secondary transactions on the JBP (Surrenders and Transfers) for that IP shall also be expressed in kWh/h. For within day transactions then the daily Registered quantity shall be the quantity in kWh/h multiplied by the transaction duration in hours for each day.

0500

Modification

05 November 2014

Version 1.0

Page 9 of 37

- 14) In respect of each IP for each physical flow direction<sup>4</sup> for each capacity period within each IP Capacity Auction, National Grid NTS will make firm capacity available for auction set up calculated as the sum of:
  - a) Unsold Technical Capacity<sup>5</sup>; plus
  - b) Surrender Offers; plus
  - c) LT UIOLI Withdrawal Offers; plus
  - d) Any Additional (Non Obligated) NTS IP Capacity made available at the sole discretion of National Grid NTS.
- 15) Some Technical Capacity must be withheld from Annual Yearly IP Auctions to be available for shorter term auctions:
  - a) For auctions of Yearly capacity for gas years Y+1 to Y+5 10% of Technical Capacity will be withheld and so set aside for the shorter term auctions.
  - b) For auctions of Yearly capacity for gas years Y+6 to Y+15 20% of Technical Capacity will be withheld and so set aside for the shorter term auctions.
  - c) In the event that the amount of technical capacity already sold exceeds the withheld quantity identified in 13a) and 13b), then all remaining unsold technical capacity will be withheld and so set aside for the shorter term auctions.
- 16) The unsold Technical Capacity is the amount of Technical Capacity that can be made available for every Day within the relevant capacity period, taking account of the amount of technical capacity sold in previous auctions.
- 17) Yearly, Quarterly and Monthly IP Capacity Auctions shall use an Ascending Clock Auction process; Day Ahead and Within Day IP Capacity Auctions shall use a Uniform Price auction process. Details for these processes can be found in sections 3.3 Ascending Clock Auctions and 3.4 Uniform Price Auctions respectively.
- 18) In the case of a 1-to-2 situation, Users shall bid in 2 separate bundled auctions however the auctions may 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 Ascending Clock Auctions and 3.4 Uniform Price Auctions.
- 19) IP Capacity Auctions shall comprise of separate auctions for bundled and unbundled capacity. The bundled and unbundled auctions will run in parallel.
- 20) Interruptible NTS IP Capacity will only be offered as unbundled capacity.
- 21) Firm NTS IP Capacity made available in IP 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 IP to the JBP;
  - b) The JBP shall bundle as much available capacity as possible;
  - c) In the case of 1-to-1 situation, any NTS IP Capacity, in excess of the capacity offered by the Adjacent Transporter, shall be offered to Users on an unbundled basis, subject to 21e);

0500

Modification

05 November 2014

Version 1.0

Page 10 of 37

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<sup>4</sup> Release for virtual flow is covered in [3.4.3 Interruptible Rolling Day Ahead IP Capacity Auctions](#)

- 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 21e);
  - e) for the second or subsequent years of the Annual Yearly IP Capacity Auction, any unbundled capacity offered must not exceed the amount or duration of the aggregate sold capacity of the Adjacent Transporter(s).
- 22) The JBP 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<sup>6</sup>. In the case of a 1-to-2 situation, the JBP shall also identify the amount of capacity offered in an auction that is in competition.
- 23) For IPs where the Adjacent Transporter is operating in a different currency, the JBP will publish the prices for the auctions in both currencies along with the daily FX rate (£/Euro) that will be used for the auction.
- 24) For info: 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 on every working day.
- 25) NTS IP Capacity made available in a bundled auction will be registered as bundled when allocated to a User in an auction. Similarly NTS IP Capacity made available in an unbundled auction will be registered as unbundled when allocated to a User in that auction.
- 26) Users may also request their unbundled capacity at an IP to be registered as bundled capacity (as set out in 3.12 Voluntary Bundling below).
- 27) Some capacity transactions may result in a capacity bundle being broken.
- 28) These capacity transactions include re-allocation of capacity Surrender Offers, re-allocation of LT UIOLI Withdrawal Offers, buybacks, termination and voluntary discontinuance.
- 29) 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 IP Capacity, and decrease the firm bundled component of Available NTS IP Capacity by an equal amount, to reflect the capacity transaction.
- 30) 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 IP 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.).
- 31) A User's Available Bundled Capacity should only be transferred on a bundled basis and the process for transfers is set out below in section 3.9 Transfer of NTS IP Capacity.

0500

Modification

05 November 2014

Version 1.0

Page 11 of 37

- 32) 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 reserve prices plus the corresponding reserve price of the relevant Adjacent Transporter.
- 33) Once the clearing price for an auction has been determined, then the price payable to National Grid NTS shall equal the National Grid NTS reserve price + the National Grid NTS share of the auction premium. For unbundled IP Capacity Auctions, the NG share of the auction premium is 100%. For bundled IP Capacity Auctions, the share of the Auction Premium due to National Grid NTS shall be as agreed with the Adjacent Transporter. Where no agreement is reached, and/or nothing is stated to the contrary, then a default sharing of 50% shall be applied.
- 34) For all IP Capacity Auctions, if a User fails to meet the provisions of UNC Section V3 (credit requirements) then bids will be rejected. Note: please also be aware that for Bundled Capacity auctions then bids can be rejected if the User fails any requirement put in place by the Adjacent Transporter.
- 35) Upon receiving the auction results from PRISMA then National Grid will process the results in accordance with the following rules.
  - a) Any unsold Technical Capacity amount shall be used to meet allocations first;
  - b) Surrender Offers shall be used to meet allocations next;
  - c) LT UIOLI Withdrawal Offers shall be used to meet allocations next;
  - d) Non-Obligated Capacity shall be used to meet allocations last.
- 36) The steps in paragraph 35) above will be completed for bundled auction results first, and then for the unbundled auction results. In the case of 1-2 scenarios there will be 2 sets of bundled auction results, in which case the highest price auction results will be processed before the lower priced auction results.
- 37) For all IP Capacity Auctions bids that are binding in respect of the JBP 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 for the round immediately following a First Time Undersell) until the demand for capacity has reduced so that capacity bids can be allocated in full.

#### *Bidding*

- 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. After each round the JBP will publish whether the auction has closed or whether a further bidding round will take place. If the auction has closed, then 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);

0500

Modification

05 November 2014

Version 1.0

Page 12 of 37

- 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, or the equivalent (4,167) in kWh/h.
  - 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 Ascending Clock Auctions);
    - b) The User meets UNC (Section V3) credit requirements;
    - c) Any other information mandated by the GTCs of the JBP.
  - 6) A User may submit 1 bid in a bidding round.
  - 7) The bid volume 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. Additionally the following bid volume rules must be adhered to:
    - a) The volume bid per User in any bidding round shall be equal to or less than the bid volume placed by the User in the previous round with the exception described in 8)b) below.
    - b) The bid volume in the round immediately following a First Time Undersell, must be equal to or less than the bid volume placed 2 rounds earlier i.e. the round preceding the First Time Undersell.
    - c) The bid volume placed in any Small Price Step round, following the First Time Undersell, must be equal to or greater than the bid volume placed in the First Time Undersell round. Where a User does not enter a bid, or enters an invalid bid quantity, then the bid quantity shall be taken to be the minimum allowed quantity (i.e. the bid volume in the First Time Undersell round).
  - 9) The JBP shall offer Users functionality to submit bids automatically before the start of an auction<sup>7</sup>. 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. The relevant FX rate for the auction, as described in section 3.2 General, paragraphs 23) and 24), shall be used to determine the amount of the auction premium due to National Grid.

#### *Price steps*

0500

Modification

05 November 2014

Version 1.0

Page 13 of 37

- 13) A Large Price Step and a Small Price Step shall be defined per IP 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 single Large Price Step.

*Ascending Clock algorithm*

- 14) Capacity auctions begin in the first bidding round with the reserve price. If the auction is not in Oversell, the bids will be allocated in full at the reserve price.
- 15) If the auction is in Oversell after the first bidding round, a further bidding round will be opened with the price equal to the reserve price plus one Large Price Step. For each subsequent bidding round where the auction remains in Oversell, 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).
- 16) If the sum of the capacity bids at the end of a bidding round equals the capacity being offered, then the auction is finished. The capacity bids are allocated in full, at the price (Reserve price +  $\Sigma$  Large Price Steps) for that bidding round.
- 17) If a bidding round results in a First Time Undersell, a further bidding round is opened, however in this case 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 price (Reserve Price +  $\Sigma$  relevant Large Price Steps +  $\Sigma$  Small Price Steps);
  - 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 price (Reserve Price +  $\Sigma$  Large Price Steps) for the First Time Undersell bidding round.
- 18) 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:*

- 19) 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, and the competing capacity rules below (paragraphs 20) – 24)) do not apply.
- 20) 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.
- 21) As identified in section 3.2 paragraph 22, the 2 bundled Auctions shall both have competing & non-competing quantities offered.
- 22) After any bidding round, the capacity bid demands are evaluated against the available capacities.

0500

Modification

05 November 2014

Version 1.0

Page 14 of 37

- 23) In a Large Price Step round, if the demand from the 2 auctions is cumulatively greater than the capacity made available by National Grid NTS, then;
- a) Both auctions will progress to the next bidding round, with the applicable price incremented by one Large Price Step; except in case b) below.
  - b) If the individual demand in one auction is less than the relevant non-competing quantity available then the auctions are split. The auctions will proceed as per paragraph 27) below;
- 24) In a Large Price Step round, if the demand from the 2 auctions is cumulatively less than or equal to the capacity made available by National Grid NTS, then:
- a) If one auction is in Oversell, and the other is not, then the auctions are split. The auctions will proceed as per paragraph 27) below.
  - b) if neither auction is in Oversell then, if it was the opening bid round the bids can be allocated. Otherwise the auctions will remain linked and proceed through Small Price Step rounds in accordance with paragraphs 25) and/or 26) below (The price is determined in the same manner as per paragraph 17)).
- 25) In a Small Price Step round, if the demand from the 2 auctions is cumulatively greater than the capacity made available by National Grid NTS, then:
- a) Both auctions will progress to the next bidding round, with the applicable price incremented by one Small Price Step; except for cases b) and c) below.
  - b) If the individual demand in one auction is less than the relevant non-competing quantity available then the auctions are split. The auctions will proceed as per paragraph 27) below;
  - c) If holding a further round will take the price back to the First Time Undersell round price, then bids from the First Time Undersell round are allocated (with prices in line with paragraph 17b) above).
- 26) In a Small Price Step round, if the demand from the 2 auctions is cumulatively less than or equal to the capacity made available by National Grid NTS, then:
- a) If one auction is in Oversell, and the other is not, then the auctions are split. The auctions will proceed as per paragraph 27) below.
  - b) Otherwise both auctions are no longer in Oversell, and can be allocated.
- 27) Once 2 auctions are split, then the auctions can progress individually. Any time a split occurs then demand for one auction will be within the non-competing amount, and the other auction will be in Oversell. The competing capacity amount is made available at the auction that is still in Oversell. The auction that is in Oversell (at the time of splitting) will continue to increment by Large or Small Price Steps, depending on whether there has been a First Time Undersell for that auction. The auction that is not in Oversell (at the time of splitting) will:
- a) Progress through Small Price Steps rounds if it was a First Time Undersell; or
  - b) Be allocated.

*Auction time out:*

0500

Modification

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05 November 2014

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Version 1.0

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Page 15 of 37

28) If an ascending clock auction has not ended by 5 business days in advance of publication of the next ascending clock auction (i.e. by the Surrender Submission Deadline), or 1 business days in advance of publication of the next uniform price auction, and the next auction offers capacity covering the same period in part or in full, the first auction shall close and no capacity shall be allocated.<sup>8</sup>

### 3.3.1 Annual Yearly IP Capacity Auctions

- 1) The Bid Window for the Annual Yearly IP 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 JBP will publish the following information in respect of all Annual Yearly IP Capacity auctions for each IP & flow direction:
  - a) The auction date and start time;
  - b) The TSO(s);
  - c) The amount of bundled capacity made available to Users for Capacity Years Y+1 through to Y+15;
  - d) The amount of unbundled capacity made available to Users for Capacity Years Y+1 through to Y+15;
  - e) the reserve price(s) for each Capacity Year;
  - f) Large Price Steps for each Capacity Year;
  - g) Small Price Steps for each Capacity Year;
  - h) Class of capacity.
- 3) Additionally, the breakdown of the amount of available NTS IP Capacity will be published on UK Link:
  - a) Quantity of unsold technical capacity adjusted for capacity withheld (Section 3.2 paragraph 15);
  - b) Aggregate quantity of Surrender Offers;
  - c) Aggregate quantity of LT UIOLI Withdrawal Offers;
  - d) Quantity of Additional (non-obligated) Capacity.
- 4) Bidding and auction arrangements will be supported via the JBP in terms of User bid submission rules and functions, auction closure/progression through bidding rounds, and capacity allocation to successful bids including User notification.
- 5) Following closure of the auction, the aggregate quantity of capacity allocated and the Auction Premium for each Gas Year for each auction will be published on the JBP, in addition to the information specified in paragraph 2) above.

0500

Modification

05 November 2014

Version 1.0

Page 16 of 37

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<sup>8</sup> Note, these are rules for NG closing an auction early. Users should also be aware of any rules the adjacent

- 6) The specific amount of capacity successfully allocated to Users will be published to individual Users simultaneously by the JBP, and no later than the next business day after the close of the bidding round. Users will be also be informed of the share of auction premium that is due to each TSO.
- 7) 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 IP Capacity Auctions

- 1) The bid window for the Annual Quarterly IP 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 JBP will publish the following information in respect of all Annual Quarterly IP capacity auctions for each IP and flow direction:
  - a) The auction date and start time;
  - b) The TSO(s);
  - c) The amount of bundled capacity made available to Users for each calendar quarter in Capacity Year Y+1;
  - d) The amount of unbundled capacity made available to Users for each calendar quarter in Capacity Year Y+1;
  - e) the reserve price(s) for each calendar Quarter;
  - f) Large Price Steps for each calendar Quarter;
  - g) Small Price Steps for each calendar Quarter;
  - h) Class of capacity.
- 3) Additionally, the breakdown of the amount of available NTS IP Capacity will be published on UK Link:
  - a) Quantity of unsold technical capacity;
  - b) Aggregate quantity of Surrender Offers;
  - c) Aggregate quantity of LT UIOLI Withdrawal Offers;
  - d) Quantity of Additional (non-obligated) Capacity.
- 4) Bidding and auction arrangements will be supported via the JBP in terms of User bid submission rules and functions, auction closure/progression through bidding rounds, and capacity allocation to successful bids including User notification.
- 5) Following closure of the auction the aggregate quantity of capacity allocated and the Auction Premium for each calendar quarter for each auction will be published on the JBP, in addition to the information specified in paragraph 2) above.
- 6) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the JBP, and no later than the next business day after the close of the bidding round. Users will be also be informed of the share of auction premium that is due to each TSO.

0500

Modification

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05 November 2014

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Version 1.0

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Page 17 of 37

- 7) 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 IP Capacity Auctions

- 1) The bid window for the Rolling Monthly IP 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 JBP will publish the following information in respect of both bundled and unbundled Rolling Monthly IP Capacity auctions for each IP and flow direction:
  - a) The auction date and start time;
  - b) The TSO(s);
  - c) The amount of capacity made available to Users for the following calendar month;
  - d) the reserve price(s);
  - e) Large Price Steps;
  - f) Small Price Steps;
  - g) Class of capacity.
- 3) Additionally, the breakdown of the amount of available NTS IP Capacity will be published on UK Link:
  - a) Quantity of unsold technical capacity;
  - b) Aggregate quantity of Surrender Offers;
  - c) Aggregate quantity of LT UIOLI Withdrawal Offers;
  - d) Quantity of Additional (non-obligated) Capacity.
- 4) Bidding and auction arrangements will be supported via the JBP in terms of User bid submission rules and functions, auction closure/progression through bidding rounds and, capacity allocation to successful bids including User notification.
- 5) Following closure of the auction the aggregate quantity of capacity allocated and the Auction Premium for each auction will be published on the JBP, in addition to the information specified in paragraph 2) above.
- 6) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the JBP, and no later than the next business day after the close of the bidding round. Users will be also be informed of the share of auction premium that is due to each TSO.
- 7) 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.

0500

Modification

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05 November 2014

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Version 1.0

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Page 18 of 37

### 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);
  - e) the relevant IP 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.
  - g) for bids in the Rolling Day Ahead IP Capacity Auction only, whether the bid should roll forward to the Within Day IP Capacity Auction in the event the bid is unsuccessful.
- 4) The minimum eligible quantity for a bid is 100,000 kWh/d, or the equivalent (4,167) in kWh/h.
- 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) the bid price is greater than or equal to the reserve price;
  - e) any other information mandated by the GTCs of the JBP.
- 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 JBP 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 JBP to evaluate the bid stack.

0500

Modification

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05 November 2014

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Version 1.0

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Page 19 of 37

- 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) 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 (case where the sum of capacity demanded is less than or equal to the capacity offered in the auction);
  - b) There is insufficient unallocated capacity available to meet any further capacity bid(s) at a particular bid price.
- 14) In the case of 13)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.
- 15) If a provisional allocation for any User, as identified in paragraph 14, is less than the minimum quantity submitted by that User, then the User's bid shall become null and void. The bid stack shall continue to be evaluated without the void bid(s) in line with paragraph 13.
- 16) Once there is no more available capacity that can be allocated to User bids in full or in part, then the clearing price for the auction can be determined. Where demand exceeds the amount of offered capacity, then the clearing price is the price of the lowest successful bid. Where demand is less than or equal to the amount of offered 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:*

- 17) 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).
- 18) 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 JBP 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.

0500

Modification

05 November 2014

Version 1.0

Page 20 of 37

### 3.4.1 Rolling Day Ahead IP Capacity Auctions

- 1) The bid window for the Rolling Day Ahead IP 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 IP Capacity Auction, the JBP will publish the following information in respect of both bundled and unbundled capacity auctions for each IP & flow direction:
  - a) The auction date and start time;
  - b) The TSO(s);
  - c) The amount of capacity made available to Users for the following Day;
  - d) the reserve price;
  - e) Class of capacity.
- 3) Bidding and auction arrangements will be supported via the JBP 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 Auction Premium for each auction will be published on the JBP.
- 5) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the JBP, and no later 30 minutes after the close of the bidding round.
- 6) Users shall be able to state in a bid submission whether, in the case the relevant bid is not successful, that the bid should roll forward into the first Within-Day IP Capacity Auction bid window for the same gas day. The following rules will be applied by the JBP:
  - a) The roll-over will not apply recursively beyond the first bid window for the Within-Day Interconnector Capacity Auction;
  - b) Bids that have been partially awarded, following any pro-ration in the Rolling Day Ahead Interconnector Capacity Auction, are not rolled over;
  - c) A bid that is rolled forward into the first bid window for the Within-Day Interconnector Capacity Auctions may be withdrawn or amended in exactly the same way as bids that are created manually;
  - d) Bids submitted via the Automatic Bidding may not be rolled forward.

### 3.4.2 Within-Day IP Capacity Auctions

- 1) Daily NTS IP Capacity will also be made available in a series of within-day auctions. Users may submit bids to the JBP for each auction in the series in accordance with the Within-Day IP capacity auction schedule.
- 2) The schedule for Within-Day IP Capacity auctions on the JBP 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;

0500

Modification

05 November 2014

Version 1.0

Page 21 of 37

- 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;
  - 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 IP 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 IP 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 JBP will publish the following information in respect of both bundled and unbundled capacity auctions for each IP & flow direction:
    - a) The auction date and start time;
    - b) The TSO(s);
    - c) The amount of capacity made available to Users for the Day;
    - d) the reserve price;
    - e) Class of capacity.
  - 5) Bidding and auction arrangements will be supported via the JBP 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 Auction Premium for each auction will be published on the JBP.
  - 7) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the JBP, and no later 30 minutes after the close of the bidding round.

### 3.4.3 Interruptible Rolling Day Ahead IP Capacity Auctions

- 1) Each Day, Interruptible NTS IP Capacity will be made available in an Interruptible Rolling Day Ahead IP Capacity auction on an unbundled basis on the JBP.
- 2) Bids from Users in Interruptible Rolling Day Ahead IP Capacity Auctions may be submitted to the JBP 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 IP Capacity Auction, the JBP will publish the following information:
  - a) The auction date and start time;
  - b) The TSO(s);
  - c) The amount of Interruptible NTS IP Capacity made available to Users for the following Day;

0500

Modification

05 November 2014

Version 1.0

Page 22 of 37

- d) The reserve price;
  - e) Class of capacity.
- 4) The amount of Interruptible NTS IP Capacity made available to Users will be in accordance with the following rules for IPs physical flow directions:
    - a) The amount of Interruptible NTS IP 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 IP 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 IP Capacity shall continue to be offered day ahead, in line with the current Ancillary Agreements, in order to provide a reverse flow service at IPs where physical flow is only possible in one flow direction.
  - 6) Bidding and auction arrangements will be supported via the JBP 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 Auction Premium for each auction shall be published on the JBP.
  - 8) The specific capacity successfully allocated to Users will be published to individual Users simultaneously by the JBP, and no later 30 minutes after the close of the bidding round.

### 3.5 Surrender Process at IPs

- 1) Users can place Surrender Offers for their Firm NTS IP Capacity through the JBP.
- 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 JBP:
  - a) Start and End date of Surrender Offer;
  - b) Surrender quantity;
  - c) Location (including direction of gas flow);

0500

Modification

05 November 2014

Version 1.0

Page 23 of 37

- d) Transporter (2 Transporters in case of bundled capacity);
  - e) Bundled or Unbundled Surrender Offer
  - f) Any other information mandated by the GTC of the JBP.
- 4) There shall be a minimum Surrender Offer quantity of 100,000 kWh/d or the equivalent (4,167) in kWh/h.
  - 5) The Surrender Offers will be automatically transferred from the JBP to National Grid.
  - 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; or
    - 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; or
    - 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 Annual Yearly IP Capacity Auction;
    - b) a quarterly Surrender Offer shall be placed in the relevant Annual Quarterly IP Capacity Auction;
    - c) a monthly Surrender Offer shall be placed in the relevant Rolling Monthly IP Capacity Auction.
  - 8) Upon receipt of the Surrender Offer, National Grid NTS will perform the following verification on Surrender Offers:
    - a) The Surrender Offer can be placed in the next Annual Yearly IP Capacity Auction, an Annual Quarterly IP Capacity Auction, or a Rolling Monthly IP Capacity Auction, based on the start and end dates provided.
    - b) A maximum of 10 Surrender Offers will be allowed per IP per flow direction per capacity period at any time.
    - c) The User has a sufficient firm component of 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 may also reject a Surrender Offer, unless the relevant Adjacent Transporter has also confirmed the surrender verification via the JBP.
  - 11) Users can view the verification results of the Surrender Offer by National Grid on the JBP. Users must confirm the validated Surrender Offer on the JBP 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).

0500

Modification

05 November 2014

Version 1.0

Page 24 of 37

- 12) Users will also be able to view the status of their own Surrender Offers on UK Link. If there is any discrepancy between the status of a Surrender Offer on UK Link and on the JBP, then the status on UK Link will prevail.
- 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 JBP.
- 14) At the time of the Surrender Submission Deadline, then National Grid will repeat the validation completed in paragraph 8c), to check that Users hold sufficient Fully Adjusted Available Capacity for each day in the relevant surrender period. If this is not the case then NG may reject the relevant Surrender Offer(s).
- 15) After the Surrender Submission Deadline for any auction is reached, all relevant confirmed Surrender Offers will be made available in that auction.
- 16) 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.
- 17) Upon receiving the allocation results of the auction from the JBP, National Grid NTS will determine if any Surrender Offers should be re-allocated in accordance with Section 3.2 General paragraphs 35) & 36).
- 18) 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.
- 19) 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 the original User. In the case of a bundled Surrender Offer the bundled component of the User's Available NTS Capacity shall be reduced; in the case of an unbundled Surrender Offer the unbundled component of the User's Available NTS Capacity shall be reduced.
- 20) The surrendering User shall receive a credit for any reallocated Surrender Offers. The surrender price is equal to the NTS share of the clearing price for the reallocating auction(s).
- 21) 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 have been developed for LT UIOLI under UNC modification proposal 485. To avoid duplicate development and discussions, this mod will aim to avoid any unnecessary overlap with mod 485. This modification does not directly 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, however the associated LT UIOLI Guidance Document will be reviewed and updated for CAM.
- 2) An amended LT UIOLI withdrawal process is proposed to compliment the new IP Capacity Auctions. This is detailed below.
- 3) LT UIOLI Withdrawal Offers will be submitted by National Grid NTS on behalf of

0500

Modification

05 November 2014

Version 1.0

Page 25 of 37

- 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 Withdrawal Offers will be entered into the next available auction subject to the LT UIOLI submission deadline.
- 6) The LT UIOLI submission deadline will be 2 business days after the Surrender Submission Deadline.
- 7) Upon receiving the allocation results of the auction from the JBP, National Grid NTS will evaluate if any LT UIOLI Withdrawal Offers should be re-allocated in accordance with Section 3.2 General, paragraphs 35) & 36).
- 8) All LT UIOLI Withdrawal Offers will be treated equally and will be prorated (on quantity) for re-allocation.
- 9) 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.
- 10) Upon re-allocation of the LT UIOLI Withdrawal Offer the originating User will receive a credit for any capacity that is re-allocated. The price credited for the Withdrawal Offer shall be the same as the NTS share of the clearing price of the relevant auction(s) 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 Day.
- 11) Any unsold LT UIOLI quantity from an auction shall be entered into the next relevant yearly, quarterly or monthly auction(s).
- 12) 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 IP Capacity

- 1) Interruptible NTS IP Capacity for System Exit is equivalent to Off-peak Daily NTS Exit (Flat) Capacity, and Interruptible NTS IP 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 IP Capacity will be curtailed based on the timestamps of capacity allocations, so that the last capacity to be allocated, is the first to be curtailed. Where Interruptible NTS IP Capacity has the same timestamp then the Interruptible NTS IP Capacity shall be curtailed based on pro-ration. (for info: as only a single auction for Interruptible NTS IP Capacity is currently proposed, then all Interruptible NTS IP Capacity shall have the same timestamp.)

### 3.8 Capacity Constraint Management of NTS IP Capacity

- 1) Capacity Constraint Management of NTS IP Capacity is the same as set out in the prevailing UNC with the exceptions set out in this modification proposal.

0500

Modification

05 November 2014

Version 1.0

Page 26 of 37

- 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 IP Capacity

- 1) The prevailing UNC rules for Transfers shall be amended as follows for IPs.
- 2) The JBP will provide functionalities for Users to offer and obtain secondary capacity. The JBP 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 IP Capacity;
  - i) Class of Capacity (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 JBP, which will be validated by the JBP.
- 3) Once the counterparty has confirmed the Transfer proposal a deal is then created on the JBP that is subject to National Grid NTS validation.
- 4) A Transfer will be validated by National Grid NTS in line with the following rules:
  - a) Trading Procedure should be OTC;
  - b) Transaction Type should be Transfer (not assignment);
  - c) 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;

0500

Modification

05 November 2014

Version 1.0

Page 27 of 37

- iii) for an interruptible Transfer the Transferor should have sufficient Available Interruptible Capacity;
  - d) In the case of NTS Exit (Flat) Capacity then Capacity Type should be Firm;
  - e) Transferee should be different to Transferor;
  - f) Deal notification is received by National Grid NTS by 03:00 on the day of the Capacity Transfer;
  - g) 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 JBP 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 IP Capacity only National Grid NTS will validate the Transfer.
  - 9) All Capacity Transfers for IPs should be completed using the JBP.

### 3.10 Charging Methodology for NTS IP Capacity

- 1) The charging methodology changes as described below will only apply for the NTS IP Capacity at IPs. 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 IPs are as specified in this proposal.
- 3) The NTS Entry Capacity Reserve Prices which will apply for the IP Capacity Auctions will be based on the current methodologies for determining reserve prices for the relevant auctions as outlined below.

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

0500

Modification

05 November 2014

Version 1.0

Page 28 of 37

*Annual Yearly and Annual Quarterly auctions require a separate publication of reserve prices to ensure the years being modelled coincide with the applicable capacity period. The Annual Yearly and Annual Quarterly auctions will use the same reserve prices.*

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

<b>IP 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 IP 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 IP Exit Capacity at IPs will be sold based on the Reserve Price noted above plus National Grid NTS' proportion of the Auction Premium. NTS IP 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 0.0001 p/kWh/day.
- 10) For Ascending Clock Auctions the Small Price Step will be one fifth of the Large Price Step unless otherwise agreed by National Grid NTS with the Adjacent Transporter.
- 11) New notices of reserve prices will be produced for the Annual Yearly and Annual Quarterly IP Capacity Auctions. The notices will be issued a minimum of one month before the IP 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 IPs (i.e. UK domestic) and the new approach for IPs.
- 14) UNC Section Y will be amended through EID Section B.
- 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 IPs will only be produced for IP Capacity Auctions.
- 17) The current methodology applying for non IPs 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.

0500

Modification

05 November 2014

Version 1.0

Page 30 of 37

- 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 IPs 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 IPs if/while Enduring Annual NTS Exit (Flat) Capacity and Annual NTS Exit (Flat) Capacity remains. Assignment of Capacity Registered under IP Capacity Auctions is not permitted.
- 3) A Reduction process shall remain in place for any legacy NTS Exit (Flat) Capacity at IPs 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, with the exception of ad-hoc increases in NTS Exit (Flat) Capacity which shall not be possible after the window shuts in June 15 (i.e. ad-hoc increases will not be permitted in Oct 2015 for IPs).
- 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 IPs before the commencement of IP 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
Ad-hoc Increase NTS Exit (Flat) Capacity	Oct 2014 – Jun 2015	April 2015 onwards

0500

Modification

05 November 2014

Version 1.0

Page 31 of 37

- 7) The first Rolling Monthly IP Capacity Auction shall be held in November 2015 for Capacity Period 1<sup>st</sup> Dec – 31<sup>st</sup> Dec 2015. IPs 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 IP 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 IP 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 IP 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 IP 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.
- 12) The following processes will be available no later than the Operational Start Date:
  - a) Secondary Trading (as per section 3.9), subject to completion of 3.2 General, paragraph 4)<sup>9</sup>;
  - b) CMP Surrender (as per section 3.5), subject to completion of 3.2 General, paragraph 4);
  - c) Voluntary Bundling (as per section 3.12)<sup>10</sup>.
- 13) National Grid will publish the Operational Start Date(s) at a later date, but before 1<sup>st</sup> Nov 2015.
- 14) Where an IP operates in kWh/d, then PRISMA functionality for kWh/d needs to first be delivered.

### 3.12 Voluntary Bundling

- 1) A User may submit a request to National Grid NTS for the firm unbundled component of its Available NTS IP Capacity at an IP to be recorded as bundled.
- 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 IP 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 IP 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 IP Capacity for the duration of the relevant capacity period;

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<sup>9</sup> Note: this means the current process for secondary trading at IPs on UK Link, will no longer be available from the Operational Start Date for any gas day.

<sup>10</sup> The Voluntary Bundling process may be started earlier than the Operational Start Date, but full system

- b) has submitted a valid EIC.
- 4) National Grid NTS will notify the relevant Adjacent Transporter within 10 business days, using details from the bundling request:
  - a) The User (EIC);
  - b) The IP 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 IP Capacity in line with the bundling request.
- 6) National Grid NTS may receive a bundling request from an Adjacent Transporter and will respond to the Adjacent Transporter within 10 business days. National Grid NTS 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 submitted to NG NTS 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 IP that is an ASEP will be as per the current Overrun calculation for an ASEP. The UNC Overrun price and charge determination for each IP that is an NTS Exit Point will be as per the current Overrun calculation for NTS Exit Points. For the purposes of 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 be paid to National Grid NTS shall be considered. (The share due to the Adjacent Transporter shall not be included).
- 2) The cost and revenues associated with the surrender and re-allocation of surrendered quantities shall feed into Capacity Neutrality. Similarly the withdrawal and re-allocation of LT UIOLI quantities shall also feed into Capacity Neutrality.
- 3) The price paid for bundled capacity is effectively 2 separate transactions, recognising that the bundle consists of both NTS IP Capacity and the capacity of the Adjacent Transporter. National Grid NTS will invoice all charges relating to NTS IP 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 IP 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.

0500

Modification

05 November 2014

Version 1.0

Page 33 of 37

- 6) Where a User holds bundled capacity at an IP, 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 IPs will include reference to relevant NTS IP Capacity arrangements defined in this modification proposal.
- 9) In the event of a PRISMA outage then Overruns will be suspended for IPs if the duration of the outage lasts for:
  - a) 6 consecutive within day IP Capacity Auctions, at any point for a gas day;
  - b) Any duration of outage that extends to, and includes, the last within day IP Capacity Auction of the day.

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

# 1 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 should facilitate compliance with European legislative requirements contained within EU Regulation 984/2013 and continued compliance with EU Congestion Management Procedures.

## Impact of the modification on the Relevant Charging Methodology Objectives:

Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None

0500

Modification

05 November 2014

Version 1.0

Page 35 of 37

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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

**e) 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 should facilitate compliance with European legislative requirements contained within EU Regulation 984/2013 and continued compliance with EU Congestion Management Procedures.

## 5 Implementation

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

## 6 Legal Text

The Legal text published alongside this report was provided by National Grid NTS at the request of the Modification Panel.

## 7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be issued to consultation.