

# Pre Mod Discussion

# EU CAM Capacity Conversion

2<sup>nd</sup> March 2017

## Recap - TxWG October Slide

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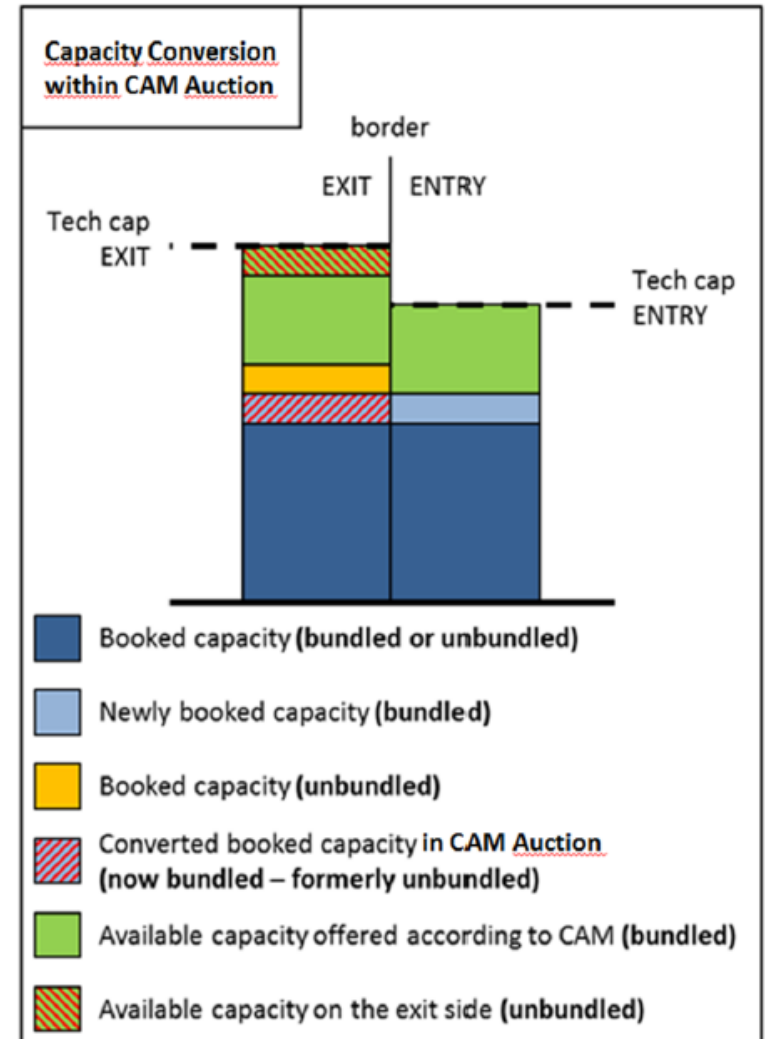
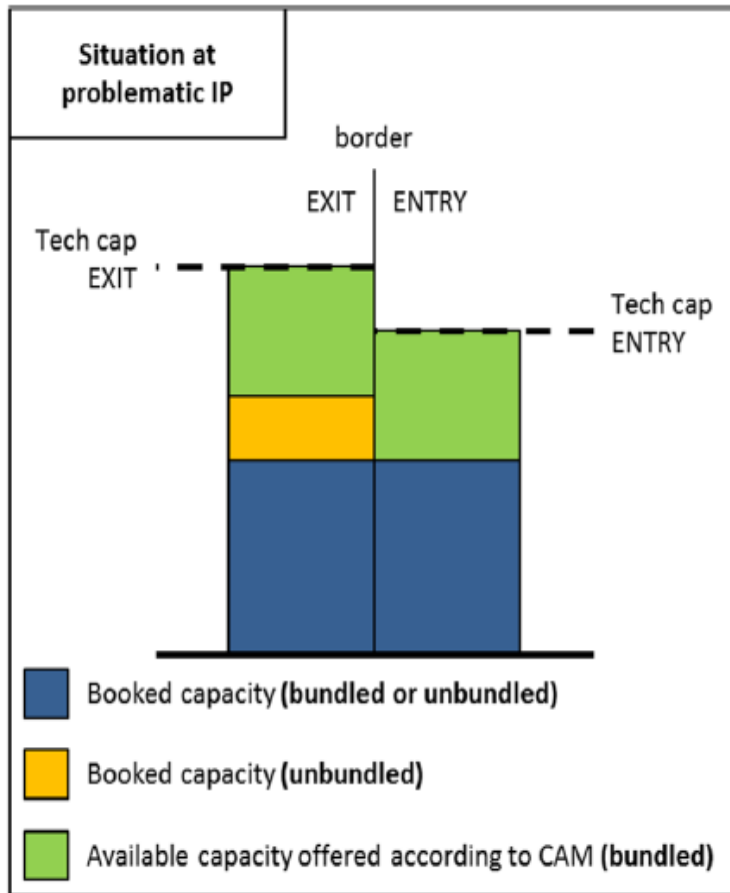
- NGG have raised three **DRAFT** UNC modifications (as issued on JO website 5<sup>th</sup> October). These are based on 15<sup>th</sup> Sept 'current draft' and prior to comitology completion
- Propose for workgroup development (timelines in later slide)
- 1. Introduce arrangements for the release of incremental capacity at IP points (*Mod 0597 with Authority for decision*)
- 2. Amendments to CAM to include moving auction dates and changes to the Annual Quarterly auctions. ~~Under defined circumstances the management of capacity sales at storage exit points~~ (*Mod 0598 Self Governance implemented & awaiting date*)
- 3. Only offering interruptible capacity at IPs when firm is sold out (*Mod withdrawn by Proposer*)
- NGG may also bring forward at a later date a modification to provide a capacity conversion service at IPs (when this is further defined at an EU level)

## CAM Art 21(3) Text

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- As from 1 January 2018, transmission system operators shall offer network users holding mismatched unbundled capacity at one side of an interconnection point a free-of-charge capacity conversion service. Such a capacity conversion service shall apply to annual, quarterly or monthly capacity products for bundled firm capacity at that interconnection point which the network user had to acquire because insufficient unbundled capacity on the other side of the interconnection point was offered by an adjacent transmission system operator. This service shall be offered on a non-discriminatory basis and shall prevent additional charges from being applied to network users for capacity they already hold. In particular, payments for the part of the contracted bundled capacity which network users already hold as mismatched unbundled capacity shall be limited to a possible auction premium. This service shall be based on the conversion model under development by ENTSOG and to be finalised at the latest by 1 October 2017 after consulting stakeholders and the Agency. The implementation may be facilitated by the capacity booking platform(s) referred to in Article 37. The use of this service shall be reported annually to the respective national regulatory authorities.

# Potential Example?



# Proposal

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- TSOs within ENTSOG have been developing options for providing this service and National Grid NTS have been involved in the development
- The National Grid NTS proposal is to introduce
  - **A post auction process** to enable shippers to ‘convert’ capacity if they are ‘forced’ to buy the bundled again on the National Grid side of the IP if they already hold legacy unbundled
  - For Annual, Quarterly and Monthly products

# Proposal

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- Conversion will be only up to the quantity of the unbundled level
- Payment liability etc will remain as per the unbundled booking
- The bundled (second) booking payment liability will be cancelled (other than a possible auction premium) generated via the Bundled auction
- Shippers would then hold 'Bundled' on the National Grid side of the IP
- Further details to be provided in the draft Modification

## Next Steps

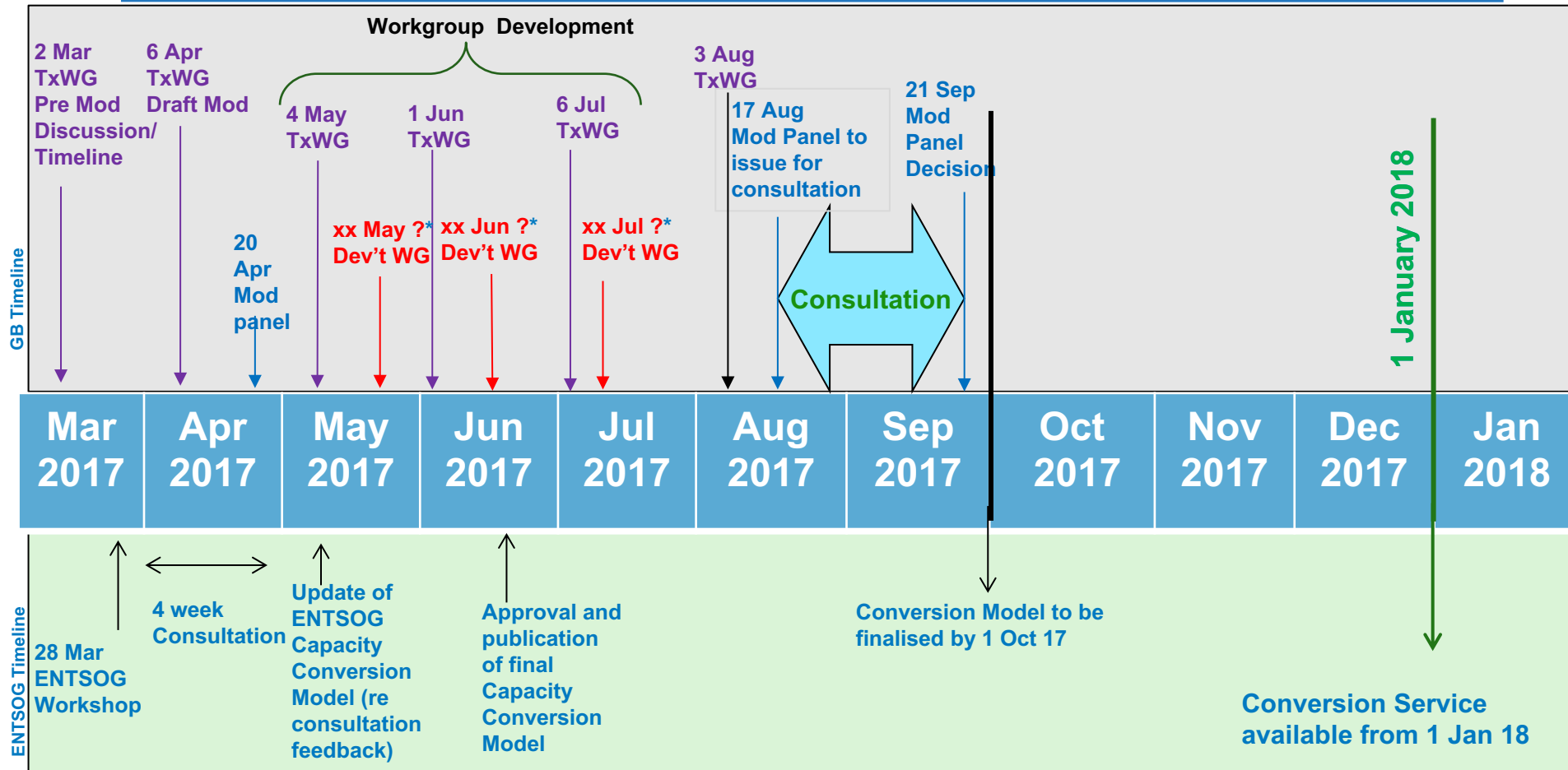
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- Draft Mod proposal to April TXWG
  - Likely to be raised as Self Governance
- Understand likely system impacts and options to deliver
- Keep alignment with ENTSOG development timeline
  - Seek Mod approval [summer] 2017
  - Service starts from 1<sup>st</sup> Jan 2018



# CAM Capacity Conversion (Art 21.3) nationalgrid

## Draft Indicative Timeline (assumes self-governance)



\* Subject to complexity

Please note:  
All dates are subject to confirmation and due process.

# European Update



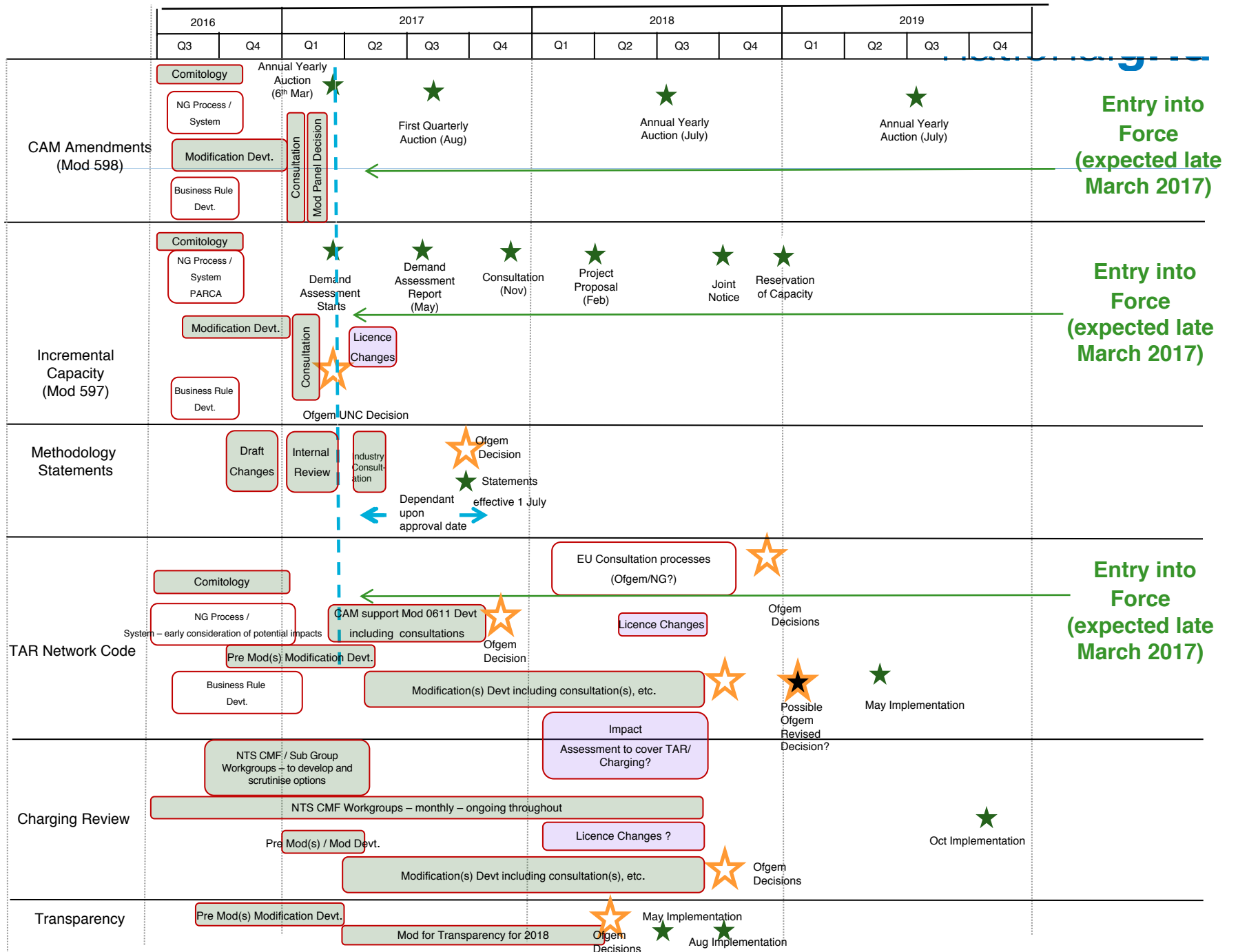
2 March 2017

# 1. General Update

## Code Status Update

Code	Current Status	Implementation date
CAM amendments	EP/Council Scrutiny complete UNC MOD 598 (approved)	EIF 1 April 2017 (tbc)
Incremental Capacity	EP/Council Scrutiny complete UNC MOD 597 (Ofgem Decision)	EIF 1 April 2017 (tbc)
Tariffs (TAR)	EP/Council Scrutiny complete, now with EC	Applicable from EIF[April 2017] tbc, October 2017, 31 May 2019.
Transparency (TRA)	EP/Council Scrutiny complete, now with EC	Applicable from 01 October 2017, First publication May 2018

# Draft Indicative Timeline



## 2. EU Code Updates

# EU Tariffs Code Update

2 March 2017

## EU Tariff Code: Timeline

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- Scrutiny period finished and TAR NC now back with EC
- EC still aiming for Entry into Force by 1 April
- TAR NC implemented in phases:
  - Entry into Force
  - From 1 October 2017
  - Before 31 May 2019



## ENTSOG Activity: Implementation Workshop

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- 1-day workshop in Brussels to take place shortly after publication
- ENTSOG shall cover key aspects of Code
- EC, ACER and industry stakeholders shall also present at WS
- Workshop on **29 March 2017**
  - Follows CAM WS on 28 March
- Potential 2<sup>nd</sup> Workshop later in year (~October 2017)

## ENTSOG Activity: Implementation Document

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- Guideline document to support Implementation Workshop
- Publication ~ 1 week before workshop
- Currently ~220 pages consisting of:
  - Part 1 Overview of requirements
  - Part 2 Implementation timeline
  - Annexes – explanations and implementation examples

## ENTSOG Activity: Tariff Publication

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- ENTSOG currently developing number of standardised templates for
  - Publication during Consultation process
  - Publication on ENTSOG Transparency Platform
  - Publication on TSO's own website
- Task Force currently agreeing project timeline for implementation and how TSOs can send data to ENTSOG Platform

## TAR NC: GB Implementation

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- UNC MOD 0611 raised February 2017
  - Amendments to the firm capacity payable price at Interconnection Points
  - Small Mod to support CAM Mods 0597 & 0598s
  - Main TAR NC Mods will be raised as part of Charging Review (being discussed within NTSCMF)

## TAR NC: GB Implementation (Ofgem Letter)

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- Implementation solutions will be impacted by Ofgem Letter of 21 February 2017 on TAR NC:  
<https://www.ofgem.gov.uk/publications-and-updates/open-letter-european-union-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>
- **Applicable for all points:**
  - ‘floating payable prices’
  - under- and over-recovery of transmission services no longer managed by commodity charge
  - price of interruptible capacity (to reflect probability of interruption)
  - Non-zero reserve prices for short-term capacity products

# GB Charging Review

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- Requirements from TAR NC currently under review
- Sub-group have produced a series of papers on a number of topics (e.g. r/p/m, multipliers, gas vs formula year.....)
  - <http://www.gasgovernance.co.uk/ntscmf/subg>
- UNC Mod(s) raised **Late Spring 2017**
- Proposed Reference Price Methodology Model to be shared with industry prior to UNC Mods being raised
  - Shall allow Users to model different scenarios and consider impacts of potential changes
- **Target date December 2018 to complete** (align with charges published in 2019)
  - <http://www.gasgovernance.co.uk/ntscmf>

## Future Topics

# Future Topics

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Topic Area	Provisional Date
Tariffs Code	Monthly updates
Transparency requirements	Monthly updates
CAM Amendment	Monthly updates
Incremental	Monthly updates



# **Modification 0605S: Amendments to TPD Section K – Additional Methods to Procure and Dispose of Operating Margins Gas**

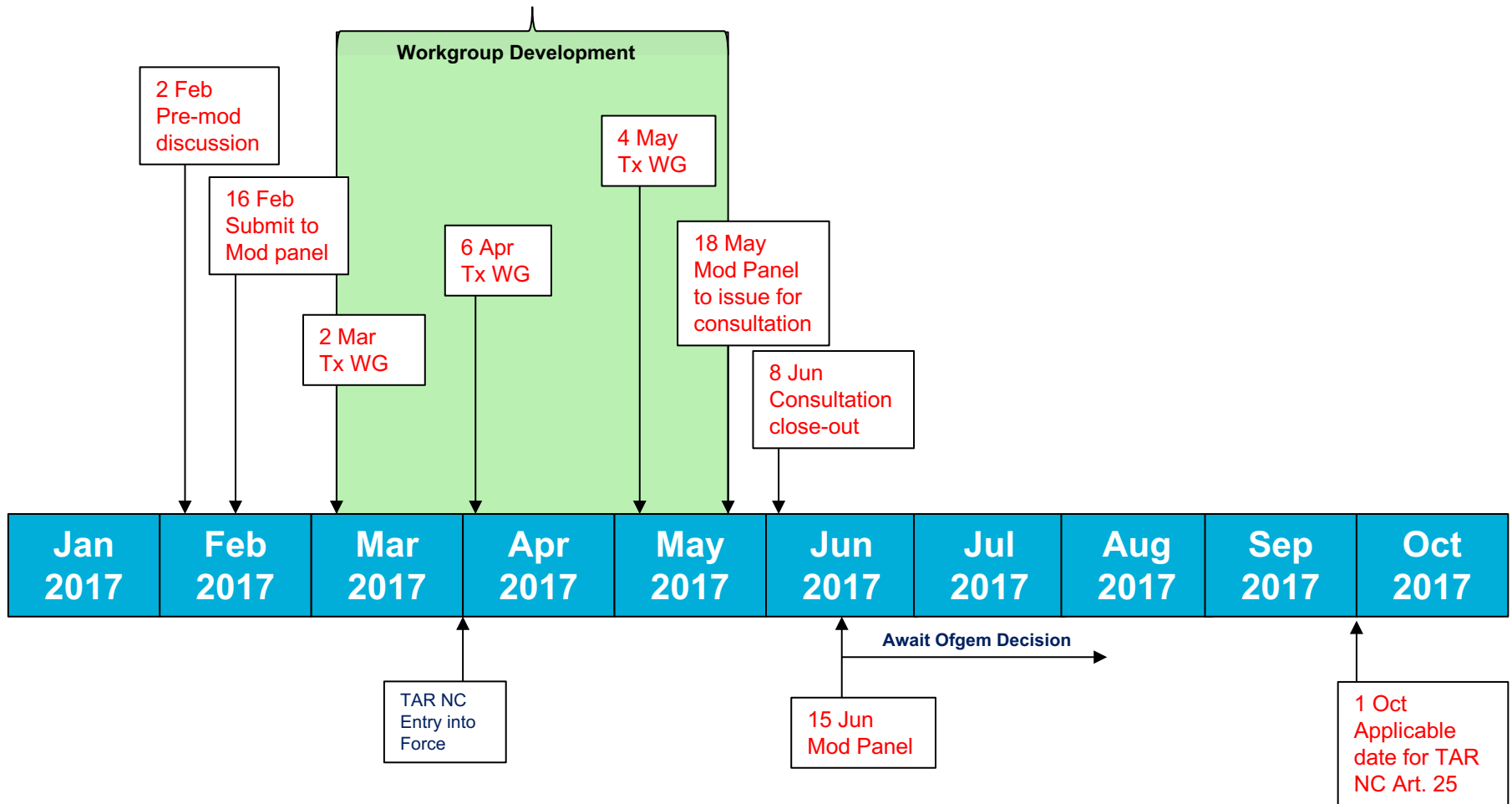
# Modification 0611

## ENTSOG Activity: Implementation Document

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- Scrutiny period by EP and Council now complete
- Publication in Official Journal still expected early March
  - Latest version published on JO website:  
<http://www.gasgovernance.co.uk/sites/default/files/EU%20Tariff%20Code%20-%20final%20clean.pdf>
- Entry into Force expected before 1 April 2017

# Indicative Timeline: UNC Modification 0611



*All dates subject to confirmation and due process*

# Mod 0611: Amendments to the firm capacity payable price at Interconnection Points

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## ■ Annual Yearly Capacity Auctions

- Mod introduces changes to payable price
- Entry capacity shall have a floating payable price
  - Aligns to treatment of Exit capacity price

## ■ For Incremental Capacity at Interconnection Points

- Introduces concept of a Mandatory Minimum Premium

# Annual Yearly Capacity Auction: Floating Payable Price

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- **TAR NC 25 (1):** *Where and to the extent that the transmission system operator functions under a non-price cap regime, the conditions for offering payable price approaches shall be as follows:*
  - a) *for cases where only existing capacity is offered:*
    - i. *the floating payable price approach shall be offered;*
    - ii. *the fixed payable price approach **shall not be allowed.***
- This applies from **1 October 2017**

## Floating payable price for existing annual yearly entry

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- Applicable Daily Rate for Annual Yearly Entry will have to be aligned to that for Exit
  - i.e. “reserve price” element adjusted price for year of use
- **July 2018:** First auction impacted
  - Price will “float” from 1 October 2019
- **March 2017:** Annual Yearly Auction still under existing rules
- **Art 35 (Existing Capacity):** Legacy protection for fixed price for all entry capacity book before and up to and including March 2017 auction

## Floating payable price for existing annual yearly entry

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- In practice, only annual yearly entry capacity at Bacton IP impacted by changes in 2018
- This means that the payable price shall be:
  - **October 2018:** auction clearing price (reserve price plus share of auction premium)
  - **October 2019 onwards:** prevailing reserve price plus share of original auction premium



## Incremental capacity at IPs: MMP

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- Introduces concept of a “Mandatory Minimum Premium”, MMP (TAR NC Art 33)
  - May be used to enable positive economic test outcome where “*allocation of all incremental capacity at reference price would not generate sufficient revenues*” to pass test
  - May be applied to incremental release in both auctions and alternative allocation mechanisms
    - *N.B. There are currently no plans to use auctions for incremental in GB*

## Incremental capacity at IPs: MMP

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- Mandatory Minimum Premium (MMP) shall added to the Auction Price, AP:
  - **AP = Reserve Price + share of Auction Premium + MMP**
- Applicable Payable Price required for Alternative Allocation Mechanism is simply:
  - **Reserve Price + MMP**

## Incremental capacity at IPs: MMP

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- Mandatory Minimum Premium (MMP) shall only be applied on the first release of Incremental and **not** in subsequent auctions when capacity is offered that initially remained unsold or was “set aside” according to Art 8(8)&(9) of CAM Amendment.
- Calculation methodology shall be elaborated in both the entry and exit capacity release methodology statements

**AOB**



# Negative Implied Flow Rate (NIFR)

# System Management Principles Statement

## System Management Principles Statement

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Timeline	
Consultation issued	27 <sup>th</sup> February 2017
Consultation closes	27 <sup>th</sup> March 2017
National Grid NTS report to Ofgem	31 <sup>st</sup> March 2017
SMPS go live	1 <sup>st</sup> April 2017

- SMPS consultation available  
<http://www2.nationalgrid.com/UK/Industry-information/Business-compliance/Procurement-and-System-Management-Documents/>
- Responses to [box.gas.market.devel@nationalgrid.com](mailto:box.gas.market.devel@nationalgrid.com)
- Any questions or comments please contact Debbie Brace on 01926 653233 or [deborah.brace@nationalgrid.com](mailto:deborah.brace@nationalgrid.com)