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Capacity Conversion – 616s

6th July 17

ENTSOG CC model - Recent Timeline of Events

- Industry consultation – 14th April – 5th May

- Amended model submitted to ACER – 18th May

- Preliminary ACER comments received – 8th June

- ENTSOG-ACER joint t-con – 20th June

- Final version of model proposed – 27th June

- Board approves final version – 5th July

- Final version published in 2nd half of July.

Proposed changes to ENTSOG model after ACER feedback

- No fundamental changes.

- Further clarifications and examples added in.

'Type' of unbundled capacity allowed for conversion

- 3 feasible options considered at last WG.

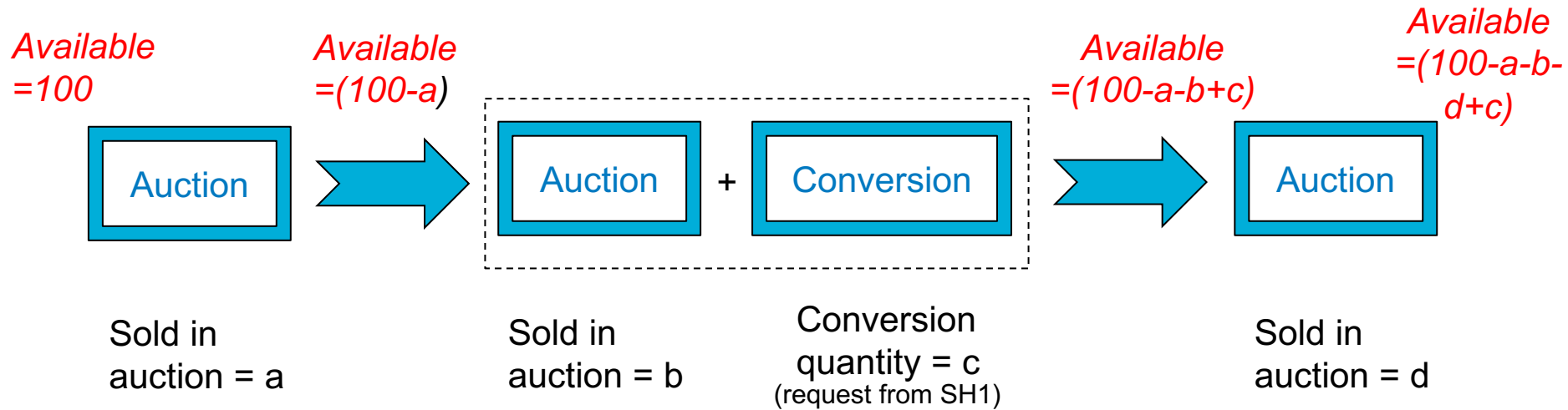| Option	Legacy or Unbundled	Validate against Registered Capacity or net Entitlements	Allow conversion of traded in cap.
1	Legacy Only	Registered	No
2	Any Unbundled	Registered	No
3	Any Unbundled	Entitlements	Yes

- Industry & system feedback was sought on options.

- NG have amended modification to option 3.

  - The restriction to 'legacy only' has been removed;

  - The validation shall be performed against a shippers's net firm entitlements – i.e. the shippers remaining capacity after trading etc.
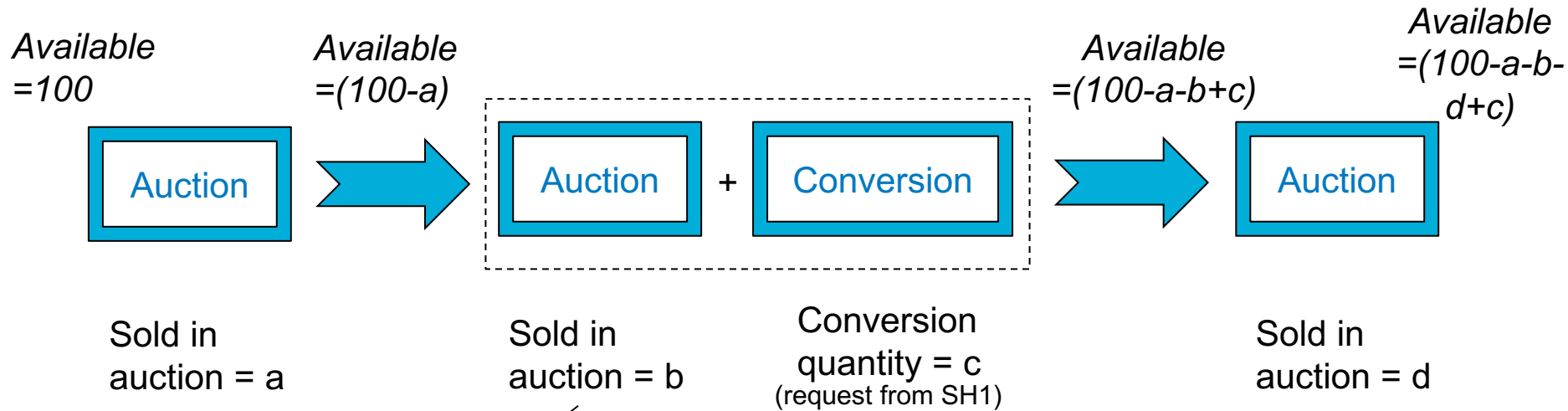
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Future auctions – available capacity

■ The available (or allocable) capacity calculation *(EID B 3.1.1)* will be amended as follows:

■ Available Capacity =

> \+ technical capacity
>
> \- sold
>
> \+ conversion quantity
>
> \+ surrender quantity
>
> \+ (LT UIOLI) withdrawal quantity
>
> \+ non-obligated capacity quantity

Example – Available Capacity

Available =100

Available =(100-a)

Available =(100-a-b+c)

Available =(100-a-b-d+c)

Auction → Auction + Conversion → Auction

Sold in auction = a

Sold in auction = b

Conversion quantity = c
(request from SH1)

Sold in auction = d

Example – Available Capacity + Price recap

Available =100

Available =(100-a)

Available =(100-a-b+c)

Available =(100-a-b-d+c)

| Auction | → | Auction | + | Conversion | → | Auction |

Sold in auction = a

Sold in auction = b

Conversion quantity = c
(request from SH1)

Sold in auction = d

Bundled Auction results

Shipper	Amount	Reserve	Premium
SH1	b1	x	y
SH2	b2	x	y
SH3	b3	x	y

Following the bundled auction SH1 is liable to pay: $= b1 * (x+y)$

Following a successful conversion this is reduced to: $= b1 * (x+y) - c*x$

Pricing

- How to reduce the amount paid to: $= b1*(x+y) - c*x$

- NG looked at 3 options previously:

  - Neutrality. Complex for commercial rules & systems.

  - Credit and debit.

  - Adjust invoice (data fix) so amount is not charged in first place.

- Previously stated possible Licence implications if we pay back a debit but this is not the case. NG can treat as an over-collection on revenue and pay it back.

- Credit and debit is now planned solution for 2 reasons:

  - Simpler for Systems/Process – in particular avoids data fix.

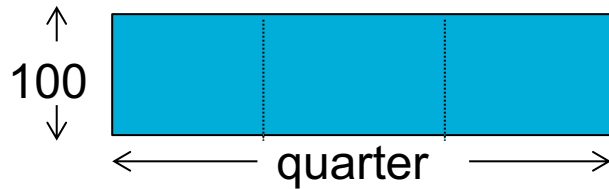 - Provides more flexibility around durations (see next slide)
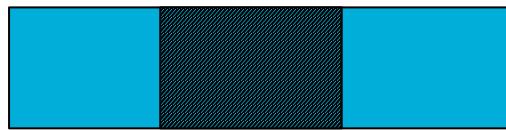
Conversion Duration

- Allowed conversion products are monthly, quarterly & yearly.

- Is a monthly conversion allowed in a quarterly auction?

- ENTSOG model flexible enough to allow this. (as will be seen in examples attached to model, once the update is published)

- NG minded to allow & mod has been updated to reflect this.
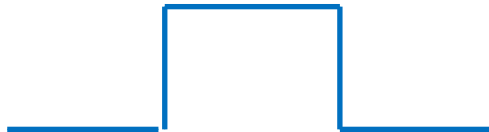
Conversion Duration - discussion

100 ⟷ quarter ⟶

Bundled Allocation
– quarterly auction

Conversion – 1 month

Profile for NG available capacity
is no longer flat across qtr.

- 'Extra' amount for 1 month would only become available in monthly auctions.

- Net effect is that we have created a monthly profile via longer term [quarterly] auctions. Is it right to do so?

Text to be added (for information) on treatment of revenues

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- The treatment of revenue is not a matter for the UNC (unless neutrality is involved), however for transparency then NG will explain how it will be managed within the modification.

- Text shall be added to the modification e.g.:

  - *7…For information: The treatment of any revenue received from the sale of this quantity (i.e. capacity made available through the conversion mechanism) shall [tbd]*

- NG will further review the treatment of revenue, and discuss matter with Ofgem, before finalising proposal ahead of the August workgroup.