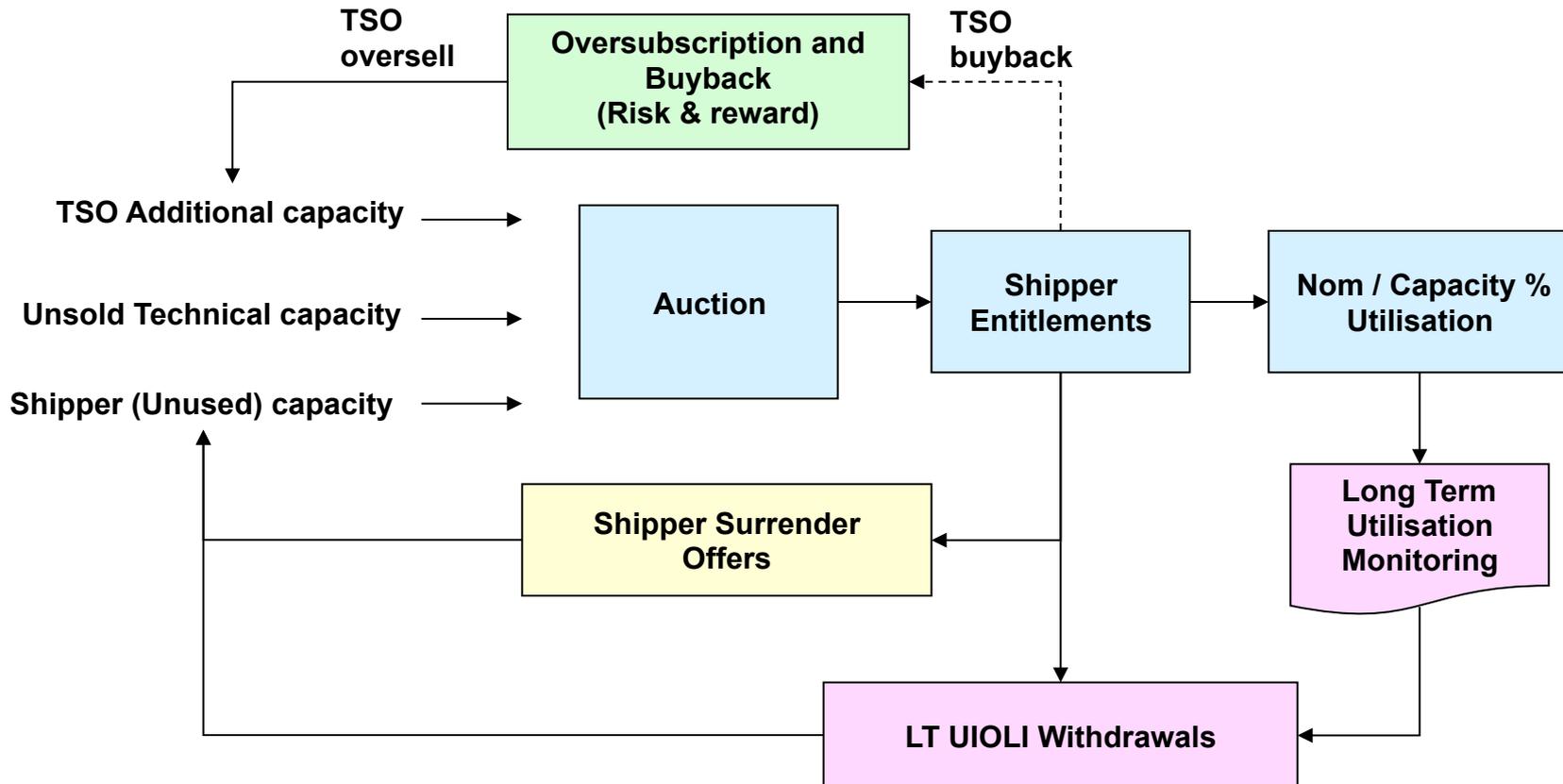


# CAM Modification 500

CAM-CMP Development Workgroup 2

# CMP processes - CMP/CAM interaction



## Secondary Processes

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- CMP Surrender
- CMP LT UIOLI
- CMP Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

### Supporting processes (if time)

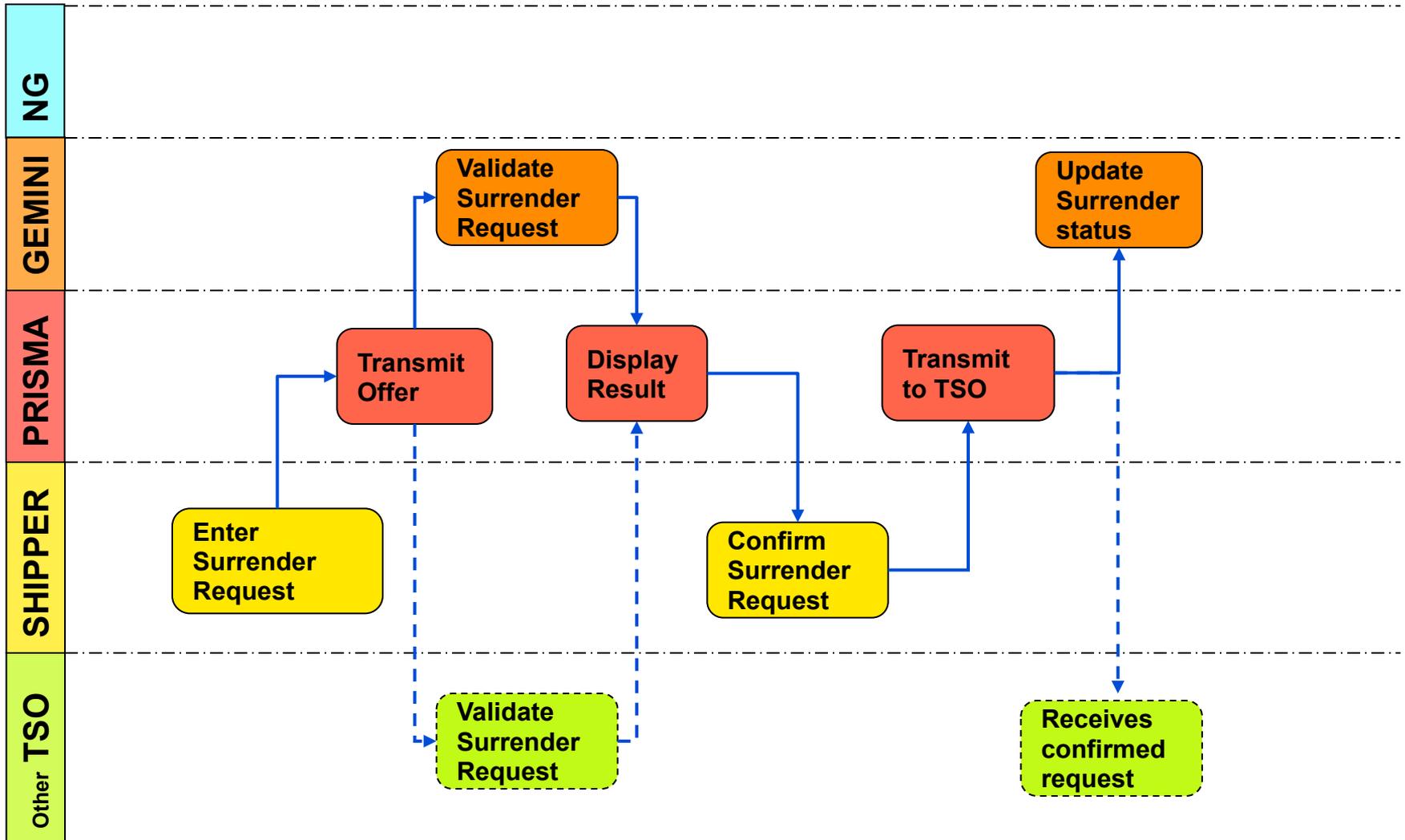
- Charging
- Credit
- Transitional Arrangements

## Secondary Processes

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- Surrender – go through section 3.5 of modification 500
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

## CAM-CMP Surrender Offer Process



## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

# CMP LT UIOLI

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- Monitoring & Utilisation
  - As per mod 485: NG to produce a “CMP LT UIOLI Guidance Document” which includes the method for assessing underutilisation.
- Reporting
  - Currently no changes to mod 485 proposed
- Appeals / Justification
  - Currently no change to mod 485 proposed
- LT UIOLI Withdrawal process
  - Process as per section 3.6 of modification 500

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

## CMP Oversubscription & Buyback

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- Oversubscription for NG is the same as existing non-obligated capacity release.
- Technical Capacities are baselines (obligated release).
- Oversubscription released *prior* to auctions.
- Oversubscription released at NG discretion in response to market demand and subject to incentive risk/reward.
- Driver to buyback remains in line with existing regime:
  - i.e. NG required to deal with whole constraint; and not just required to buy back Oversubscription amount

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

## Buy back – summary slide

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- NG will buy back entitlements only.
- NG will complete buy back auctions on Gemini.
- Shippers will offer a number:
  - Unbundled entitlements will be reduced first
  - Bundled entitlements will then be reduced after unbundled entitlements reach zero.
  - If both unbundled and bundled entitlements are reduced to zero then any further reduction will reduce unbundled entitlements to below 0.
- Section 3.8 of modification 500

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- **Scaleback**
- Bundling
- Unbundling
- Secondary Trading

## Scale back – Summary Slide

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- Consistent lead time on interruption for both IP entry and IP exit – minimum notice 75 mins.
- While CAM requires scale back to be completed in order of timestamp, NG is only proposing 1 single interruptible (day ahead) auction.
- Every allocation of interruptible capacity for a gas day will, in practice, have the same timestamp.
- Interruptible capacity that has the same timestamp will be pro-rated.
- Section 3.7 of modification 500

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

## Bundled & Unbundled Capacity

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- Net entitlements referred to as Available NTS Interconnector capacity in modification 500.
- Firm entitlements will have sub categories (viewable on Gemini):
  - Bundled firm entitlements
  - Unbundled firm entitlements
- Bundled/Unbundled entitlements will be increased following primary allocations, and adjusted following any secondary transactions.
- Some transactions may result in ‘unbundling’ of bundled entitlements.
- Shippers may also voluntarily bundle entitlements

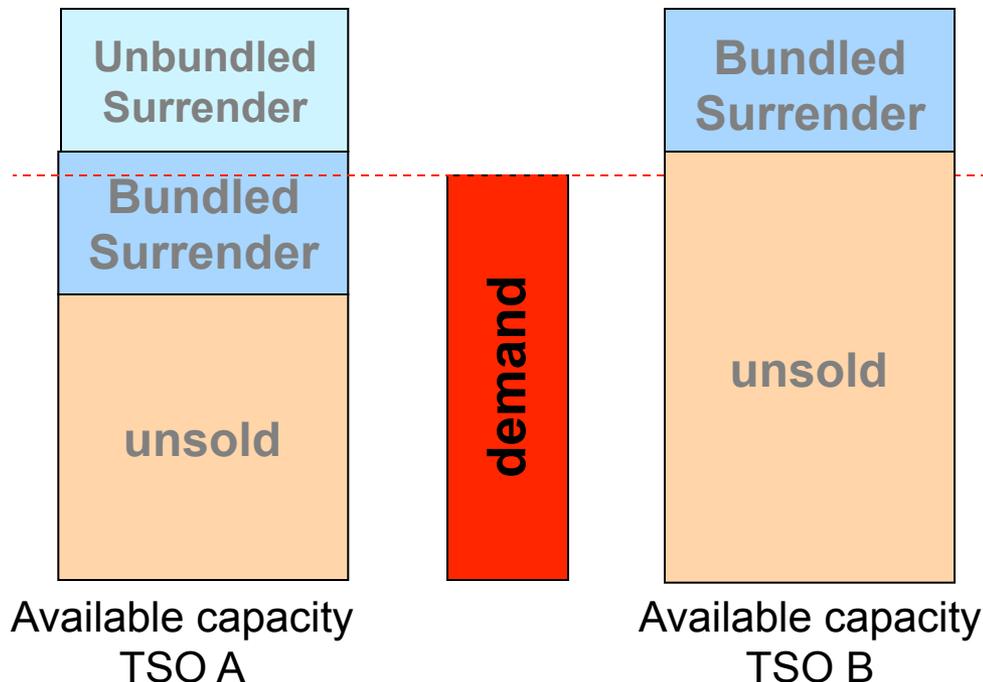
## Voluntary Bundling – Summary Slide

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- Entitlements based process
  - Unbundled entitlements → Bundled entitlements
- National Grid will consider a request for bundling that has come either:
  - Direct from a shipper
  - Via the adjacent TSO
- To process a voluntary bundle National Grid will require
  - The information stated within section 3.12 of modification 500
  - Acceptance by the Adjacent TSO

## Unbundling example – Surrenders

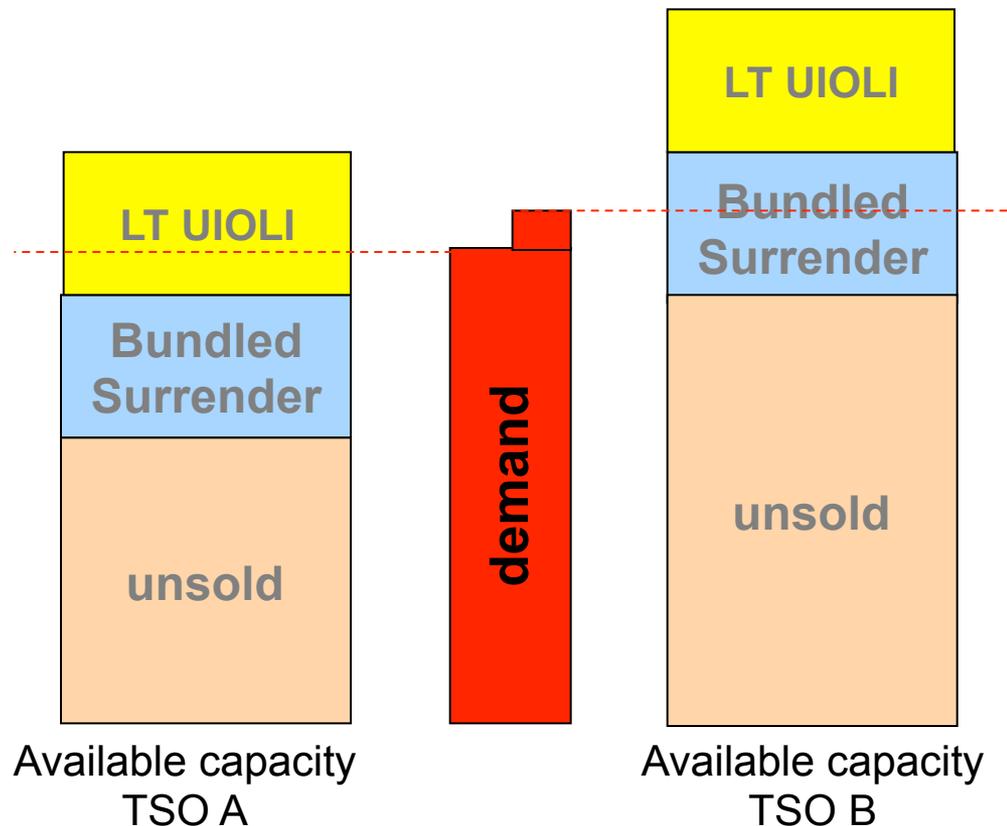
In the below example Available capacities match so all capacity is bundled.



- Both TSOs offer the same available capacity for the bundled auction.
- Both have the same bid demand to re-allocate.
- Surrenders must be re-allocated based on submission timestamp
- TSO A will begin to re-allocate the bundled surrender before TSO B.

## Unbundling example – LT UIOLI

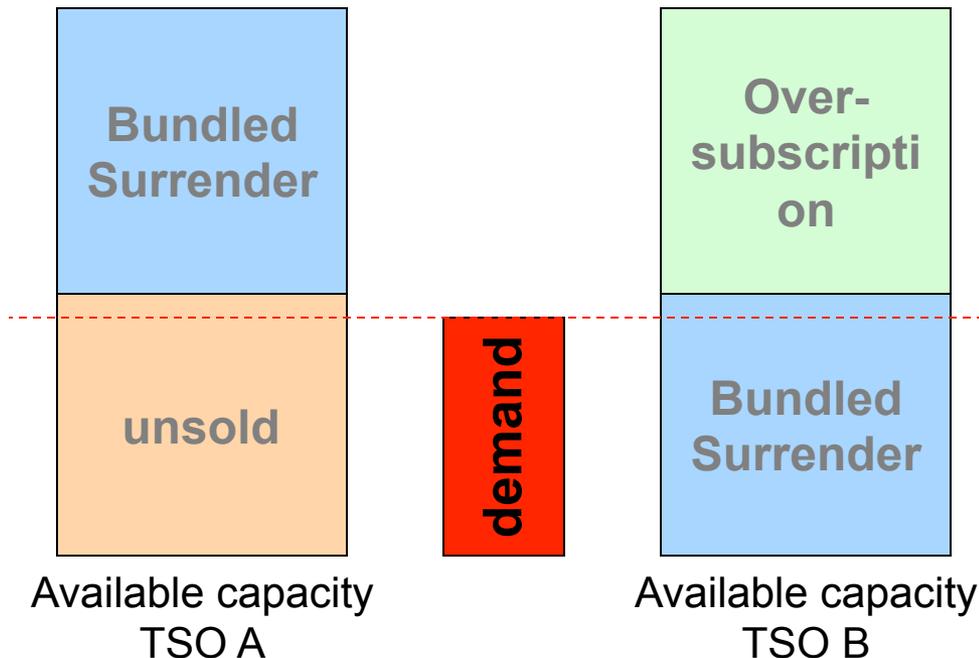
In the below example Available capacities do not match.



- TSO B has more Available capacity – offers excess as unbundled.
- TSO B has higher bid demand to re-allocate.
- However TSO B also has more unsold capacity to re-allocate.
- TSO A re-allocate more of the bundled Surrender and more of the LT UIOLI withdrawal than TSO B. <sup>18</sup>

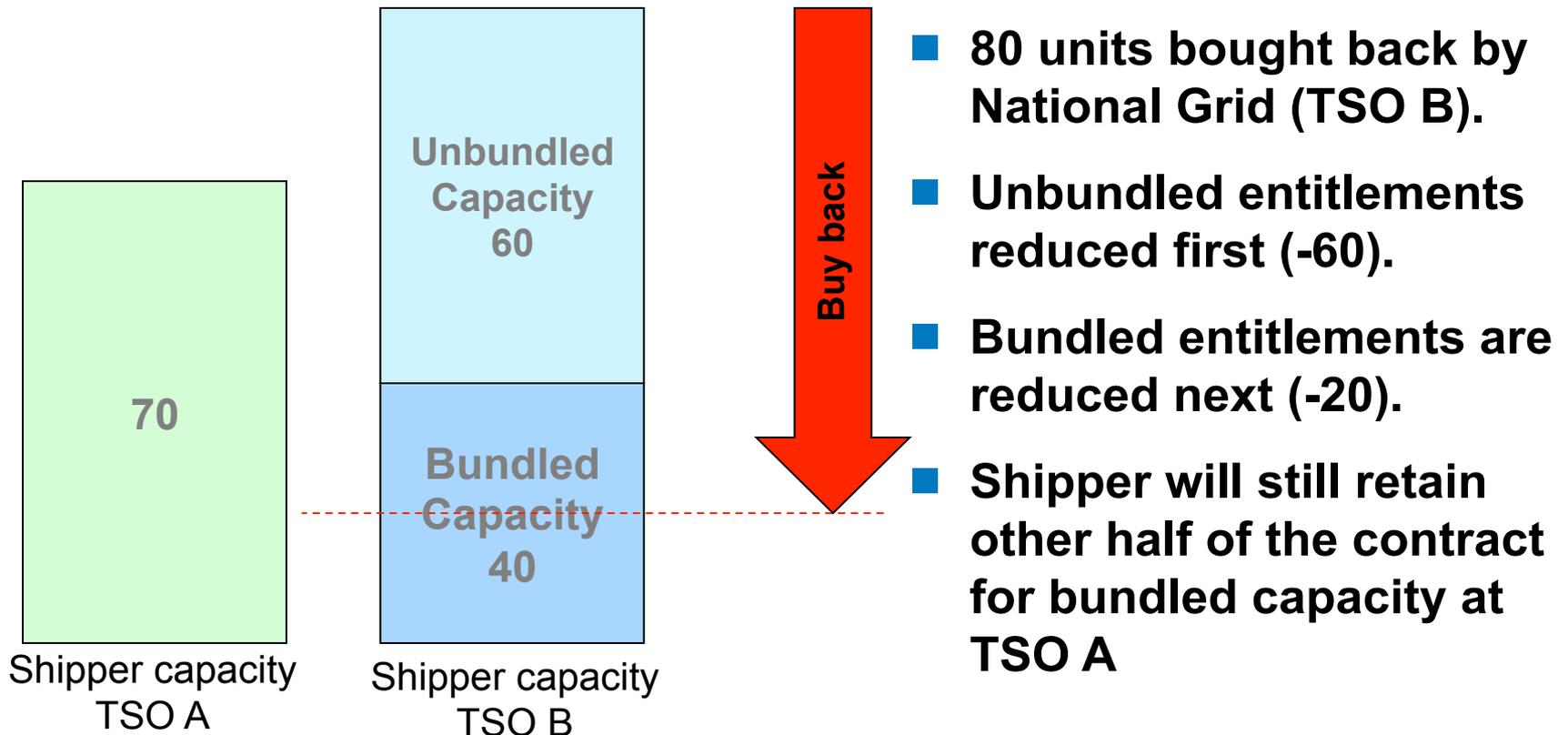
## Unbundling example - Oversubscription

In the below example Available capacities match so all capacity is bundled.



- Both TSOs offer the same available capacity for the bundled auction.
- Both have the same bid demand to re-allocate.
- But both will re-allocate different amounts of the bundled surrender.

# Unbundling example – Buy back



## Secondary Processes

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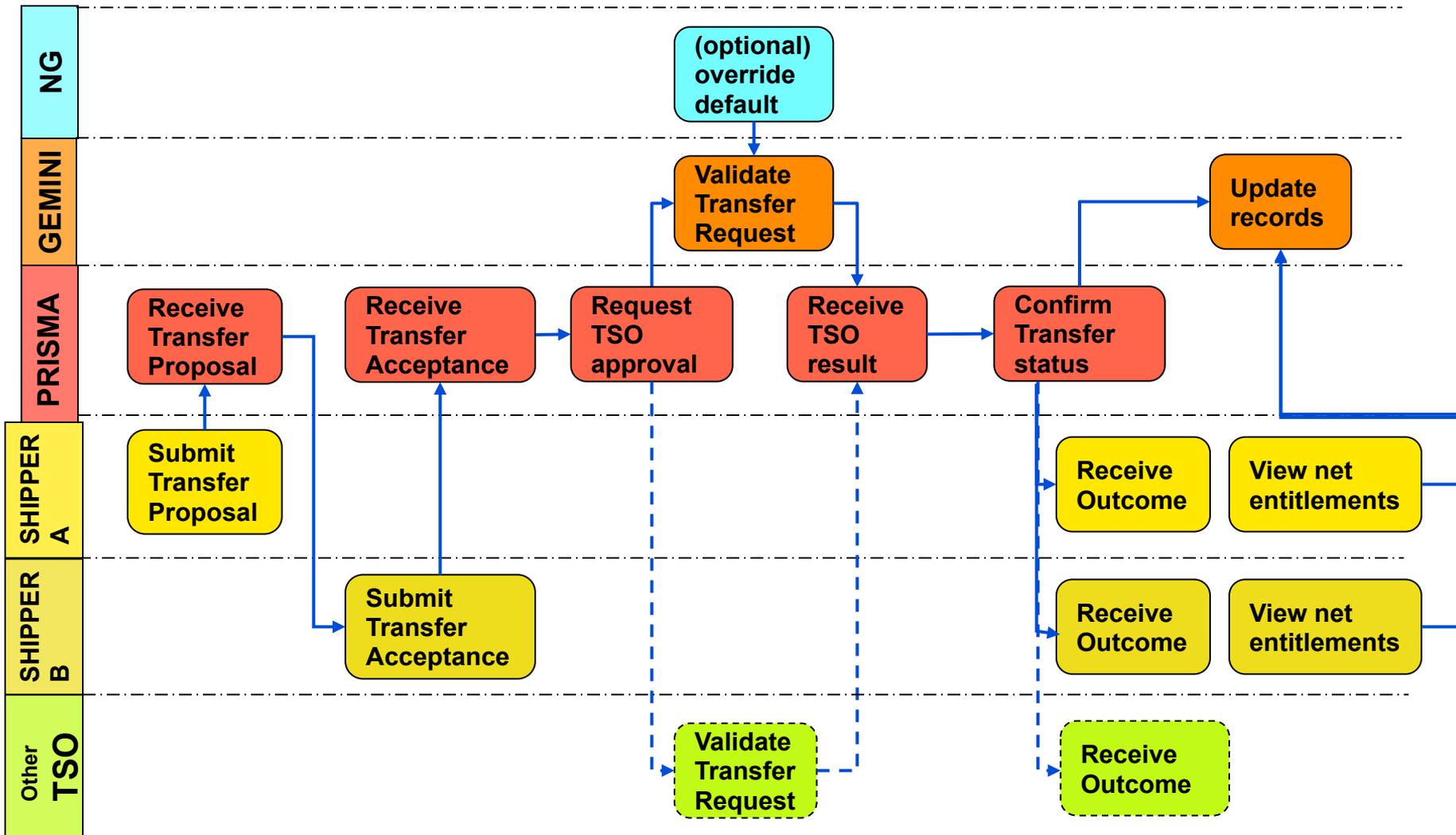
- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

## Secondary Trading – Summary slide

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- No specific EU rules for trading except for following reference in CAM:
  - Bundled capacity should be traded as bundled [Article 19.8]
- Joint Booking Platform to be used for secondary trading at IPs.
- Entitlements will be traded - there will be a transfer of Rights but not Liabilities.
- Rules as per Section 3.9 of modification 500

# OTC Transfer Process



# Supporting Processes

CAM-CMP Development Workgroup 2

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

### Supporting processes

- Charging
- Credit
- Transitional Arrangements

# Charging:

## What stays the same; what changes?

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- The current methodology applying for Non-Interconnection Points (i.e. UK domestic) will remain as set out in UNC Section Y.
- NTS prices for unbundled capacity and the NTS component of bundled capacity prices will be the same.
- There are no amendments to the methodology of calculating Commodity Rates or who pays the Commodity Rates.
- The existing arrangements concerning the discounts of reserve prices for Daily and Within Day auctions will continue to apply.
- All reserve prices will continue to be published to 4 decimal places and in p/kWh/day in the Charging Notice.
- Prices will be displayed in PRISMA in p/kWh/h/runtime or p/kWh/d/runtime
- Auctions for Exit. Price for Exit capacity will consist of an administered reserve price plus any auction premium.

# NTS Entry Capacity Reserve prices - Interconnectors

- The NTS Entry Capacity Reserve Prices which will apply for the Interconnector Capacity Auctions will be based on the current methodologies for determining reserve prices for the relevant auctions

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

## NTS Exit Prices – Interconnection Points

- The introduction of auction based pricing for NTS Exit Prices to apply at Interconnection Points for NTS Interconnector Exit Capacity

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

## Ascending Clock Auctions

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- For Ascending Clock Auctions the Large Price Step shall be the greater of [5%] of the reserve price or [0.0005] p/kWh/day. Methodology needs to be determined of how the large price step is calculated.
- For Ascending Clock Auctions the Small Price step will be [one fifth] of the Large Price Step unless specified otherwise in the Joint Booking Platform General Terms and Conditions.

## Notices/Documentation

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- New notices of reserve prices will be produced for the Annual Yearly and Annual Quarterly Interconnector Capacity Auctions.
  - The notices will be issued a minimum of one month before the Interconnector Capacity Auction takes place as specified in National Grid's GT Licence in respect of the NTS.
- Updates to any applicable Charging Documents will ensure that these are consistent with the approach currently applied for Non-Interconnection Points and the new approach for Interconnection Points.
- Applicable statements of Transportation charges will be published in accordance with current obligations.
- UNC Section Y updates will need to ensure that the relevant information is equally applicable to Interconnection Points as well as Non-Interconnection Points

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

### Supporting processes

- Charging
- Credit
- Transitional Arrangements

## Credit

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- A single Transportation Credit for capacity will continue to apply
  - No separate credit arrangements for Interconnector Capacity
- If a sanction is applied on Gemini then NG will apply a credit limit of zero on PRISMA.
  - This prevents any further purchase of primary capacity.
  - This prevents any further purchase of capacity through secondary transfers.

## Secondary Processes

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- Surrender
- LT UIOLI
- Oversubscription & Buyback
- Buyback
- Scaleback
- Bundling
- Unbundling
- Secondary Trading

### Supporting processes (if time)

- Charging
- Credit
- Transitional Arrangements – see section 3.11

## Next Steps

CAM-CMP Development Workgroup 2

## Next Steps

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- PRISMA invited to August 12<sup>th</sup> Workshop.
- Legal text is planned to be available by Sep 16<sup>th</sup> Workshop – **TBC**
- Complete walkthrough of mod?