

Introduction to UNC Modification Proposal 0501A

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About the Modification Proposal

- It builds on UNC modification proposal 0501 “Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations”
- Modification proposal 0501 has been raised by National Grid NTS and details a process for allowing Users to reallocate their existing Bacton entry capacity rights between 2 new Bacton ASEPs (one being a UKCS ASEP, the other an IP ASEP)
- Modification proposal 0501 does not provide a mechanism for Users to return capacity to National Grid NTS (or to “re-set” their capacity holdings) and is unlikely to be changed to include such a process
- There are advantages to TSOs and Users in having a capacity return option and these are summarised towards the end of this presentation
- Therefore, modification proposal 0501A has been raised by British Gas Trading Limited to include a capacity return option for Users

Outline of the Process – Initial Stage

National Grid NTS invite Users to specify how much of their existing capacity entitlements they want to be:

- (a) Returned to National Grid NTS, and
- (b) Reallocated to the new Bacton UKCS ASEP, and
- (c) Reallocated to the new Bacton IP ASEP.

In the draft modification proposal the sum of the capacities in (b) and (c) is referred to as “Residual Capacity”



So this results in...

1. The returned quantity of capacity being removed from a User's account
2. An initial reallocation of Residual Capacity to the Bacton UKCS ASEP and
3. An initial reallocation of Residual Capacity to the Bacton IP ASEP

The capacity that has been returned to National Grid NTS is now accounted for and removed from the process.

The reallocation of the Residual Capacity will be upheld unless the sum of all User reallocations for the capacity period at a new ASEP breaches the Obligated/ Baseline capacity level. In which case...

Second and Final Stage of the Process

Where the initial stage resulted in a capacity over-subscription at one of the new ASEPs, National Grid NTS will again invite Users to specify how much of their Residual Capacity entitlements they want to be:

- (a) Reallocated to the new Bacton UKCS ASEP,
- (b) Reallocated to the new Bacton IP ASEP and

a User can also specify that, in the event of one of the new ASEPs being over-subscribed, it wants the allocation to be capped at the requested level and have the capacity in excess of the capped level returned to National Grid NTS

The next slide illustrates this with an example...

Example of Possible Outcomes from the Final Stage (where there is an over-subscription)

Without a Cap Being Applied

- User is asked to reallocate 500 units of Residual Capacity
- The User asks for 250 to be allocated to the UKCS ASEP and 250 to the IP ASEP
- The User does not request its allocations to be capped at the requested levels
- The UKCS ASEP is over-subscribed by 25% and therefore the User's allocation at the UKCS ASEP is 200 units (i.e.scaled by a factor of 100/125)
- So 50 units of capacity have not been allocated
- The IP ASEP is correspondingly under-subscribed and the User is therefore allocated $250+50=300$ units of capacity at this ASEP (the requested capacity plus unallocated capacity from the UKCS ASEP)
- No capacity is returned to National Grid NTS

With a Cap Being Applied

- User is asked to reallocate 500 units of Residual Capacity
- The User asks for 250 to be allocated to the UKCS ASEP and 250 to the IP ASEP
- The User requests its allocations to be capped at the requested levels
- The UKCS ASEP is over-subscribed by 25% and therefore the User's allocation at the UKCS ASEP is 200 units (i.e.scaled by a factor of 100/125)
- So 50 units of capacity have not been allocated
- The IP ASEP is correspondingly under-subscribed but because the User has exercised the capping option it is allocated only its requested level of 250 units
- Therefore, 50 units of capacity are returned to National Grid NTS

Advantages of Mod 0501A over 0501

Some or all of the capacity returned to National Grid NTS will be available for bundling at the Bacton IP ASEP sooner

Enabling the return of capacity will reduce the likelihood of capacity being over-subscribed at either of the new Bacton ASEPs

In the event of over-subscription, a final opportunity to return capacity in excess of that requested at a new Bacton ASEP will ensure that Users do not have unwanted capacity entitlements forced upon them and consequently reduces the likelihood of capacity being sterilised

Permitting the return of entry capacity at Bacton will be more consistent with the likely early termination of enduring NTS Exit (Flat) Capacity rights

Next Steps

The Proposal will be presented to the Mod Panel on 21 August and possibly discussed alongside Proposal 0501 at the European Workgroup on 12th August.