

## UNC Workgroup 0500 Minutes

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

Tuesday 12 August 2014

Energy Networks Association, 52 Horseferry Road, London SW1P 2AF

#### Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont	(LD)	Secretary
Alison Chamberlain	(AC)	National Grid NTS
Anna Shrigley	(AS)	ENI
Antony Miller	(AM)	Centrica Storage
Charles Ruffell*	(CR)	RWEst
Colin Williams	(CW)	National Grid NTS
David McCrone	(DM)	Ofgem
Francisco Goncalves	(FG)	Gazprom
Graham Jack	(GJ)	Centrica
Holden Hardcastle	(HH)	Centrica Energy
Isabelle-Agnes Magne*	(IAM)	GDF Suez
Jeff Chandler	(JC)	SSE
Julie Cox*	(JCx)	Energy UK
Katja Beckert	(KB)	PRISMA
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Laura Butterfield	(LB)	National Grid NTS
Lesley Ramsey	(LR)	National Grid NTS
Lisa Martin	(LMa)	Ofgem
Lucy Manning	(LM)	Interconnector UK
Malcolm Montgomery	(MM)	National Grid NTS
Marshall Hall	(MHa)	Oil & Gas UK
Matthew Hatch	(MH)	National Grid NTS
Rachel Turner	(RT)	BG International
Richard Fairholme	(RF)	E.ON UK
Richard Miller	(RM)	Ofgem

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0500/120814>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 November 2014.

## 1. Introduction and Status Review

### 1.1 Review of Minutes

MM proposed the following changes be made:

Under **1.2 Review of Actions, Action 0601:**

“**Update:** MM explained that the backstop is 2 hours ~~minutes~~, before suggesting that in reality it is nearer to ‘real time’. **Closed**”

Under **2.1 Secondary Processes**; on page 3:

“Secondary Processes, slide 33 – when asked MM confirmed that the 1<sup>st</sup> auction is scheduled for ~~24~~ 31 October 2015.”

It was agreed the amendments should be made and the minutes revised and republished. The minutes of the previous meeting (11 July 2014) were then accepted.

## 1.2 Review of Actions

**0701:** Ofgem (RM) to provide a view on whether Ofgem will give some high level guidelines for when it would withdraw capacity under LT UIOLI.

**Update:** RM confirmed that a guidance note setting out some of the principles was currently being drafted, and would be distinct from that published by National Grid NTS. It was anticipated that the document would be published on Ofgem’s website for 01 October 2014.  
**Closed**

**0702:** National Grid NTS (MM) to seek a view from his operational colleagues as to whether or not, a monthly (utilisation) report can be provided.

**Update:** MM explained that from 01 November 2015 there would be a dedicated functionality on Gemini enabling a Shipper to specify a date range to generate utilisation reports. **Closed**

**0703:** National Grid NTS (MM) to confirm their current surrender capacity processes.

**Update:** MM gave a brief presentation explaining the process. GJ queried if this was ‘at odds’ with the information given in the PRISMA presentation. The treatment of bundled/unbundled capacity, the suggested hierarchical labelling of ‘unsold’ (treat unsold bundled, surrender bundled, unsold bundled would be the bottom of the stack) and CAM compliance was discussed. GJ was concerned that Surrenders should not lead to unbundling of bundled capacity, and argued that both TSOs could agree to allocate bundled surrenders before unbundled unsold technical capacity. MM responded that CMP mandated that all unsold be utilised first; the concept ‘unsold unbundled’ did not exist. LM also did not believe it to be feasible; it does not eliminate the problem and is not compliant. RM suggested a secondary market option to avoid unbundling through surrenders, or to deal with unbundled residue. Surrender process timelines were discussed. GJ referred to not allowing capacity assignments as discussed at the last meeting. The market may treat unbundled capacity as a poor relation. MM observed that introducing ‘unbundled unsold’ and ‘bundled unsold’ capacity does not eliminate the problem and adds complexity.

AS pointed out that Interconnectors are sold out after 2018; there were no uniform rules and so temporary rules may be required so surrendered capacity could be prevailing after 2018. MM believed that such rules would not be permitted. Before an auction it is just ‘unsold’ not bundled or unbundled. MM described how it would be processed by PRISMA. GJ gave examples of his concerns. MH explained that it could be surrendered but not until we are sold out of technical capacity would Surrenders go through the auction. It was more than likely that it would not even get to an auction, looking at the current ‘unsold’ positions. GJ observed that Shippers might decide not to surrender, and do something different, eg approach the secondary market. Was the interpretation of ‘unsold capacity’ open to question? LM confirmed that ‘unsold technical capacity’ is defined and must be sold first, and then followed by ‘surrendered capacity’.

LMA commented that the CMP mechanism is very much a last resort or backstop – an ‘anti-hoarding’ measure. If a party has capacity the incentive should be to sell it on a secondary market. Capacity should be traded, assuming there is appetite for it. Concerns were expressed that if a bundled product was broken up it can result in sterilised capacity. LMA pointed out that if the bundle could not be broken up then capacity would not be made available to the market

where there was demand for it. LM gave an example explained of how a mismatch in quantity might result. MHa suggested that transitional arrangements might be required.

In reference to LT UIOLI, FG expressed concerns that a party's actions (or the route it had chosen to use) might be perceived to be insufficient (or not acceptable) by the Regulator when assessing if a party had offered capacity back to market. RM explained Ofgem's expectations and perceptions. As long as it had been offered it did not matter if it had not been taken up. The act of offering is key. This was briefly discussed. FG questioned what could be considered to be 'on reasonable terms' – was that from the aspect of price, or in having used the surrender route? What would constitute 'failure'? RM did not believe that it would have to be offered in every single market - once should be sufficient to demonstrate the veracity of a party's intent. LMa added that Ofgem was seeking to better understand Shippers' reasons why particular actions are/were taken and would appreciate if Shippers would consider sharing information to assist in development of a more holistic comprehension of actions and concerns.

The functionality of PRISMA was discussed and how it could cater for bundled options. Could PRISMA be asked to review and assess if minimum quantities could be considered in the Available auction capacity? MH believed it would mean a fundamental change to PRISMA but would consider confirming and provide an update next month.

**NEW ACTION 0801: To ask PRISMA about the feasibility of selling capacity subject to minimum quantities being re-allocated for Surrender offers.**

**Closed**

## **2. Presentation on CAM-CMP Processes by PRISMA**

MH introduced KB from PRISMA, who then proceeded to give a presentation on the background and status of PRISMA, the registration processes, primary capacity bidding, auction mechanisms, additional features, and secondary trading. KB and MH responded to questions and clarified points as the presentation progressed.

MH confirmed that new market entrants would be informed about the requirements in relation to PRISMA through the Customer Lifecycle process.

The NTS Charging Team will become more involved in the Modification 0500 development Workgroup and will contribute to the next meeting in September.

LM expressed concern regarding the apparent inflexibility of bundled auctions, in that some unsold IUK capacity could not be offered to the market for another year, and was there a way for PRISMA to e.g. sell unsold capacity from a competing auction in a subsequent unbundled auction. LM also made a point about the potential imbalance of quantities whereby a party must purchase more than they require on one side of the IP in order to buy capacity on the other side of the IP.

The perceived difficulties were discussed. The holding of one annual capacity auction a year may need to be reviewed. KB stated that PRISMA must be and is CAM compliant (it is very prescriptive), but acknowledged as it was an IT system then it could be amended if a different interpretation of CAM was agreed with all Regulators. The platform could accommodate any time slot. Separation of bundling/unbundling and flagging was considered. MH reminded that CAM obligates products to be bundled; unbundled auctions would go against the CAM Code. It was questioned would extending the auction process address stranded capacity? KB believed that concerns should be addressed through the regulatory routes; PRISMA cannot open new auction runs; there is a pre-defined calendar in the EU Network Code. Some believed that there was a case for re-interpretation of what can/cannot be done under CAM, and it was concluded that any sensible resolution would require an amendment to be proposed to the CAM Code.

It was suggested the Regulator should pursue these concerns within their Regulatory Working Groups. LM believed it was being discussed within PRISMA at a working level. KB believed the PRISMA Working Groups could assess what can be done. If the Regulators were happy to make changes then KB did not envisage any problems for the platform (subject to an

assessment, lead time and costs). KB indicated that she would liaise with LM and RM by email regarding any developments/updates.

At the conclusion of the presentation, it was questioned whether PRISMA had any contingency arrangements in place. KB gave a brief outline. The potential effects of a breakdown when an auction was in progress were discussed. It was suggested that the TSOs might also like to consider if robust processes were in place to address any system failures on their side, and what arrangements would be needed.

Thanks were made to KB for providing an informative session on the operation of PRISMA.

### 3. Presentation on Units – kWh/h and kWh/d

MM gave a short presentation. It was proposed to continue use kWh/d at Moffat and convert to kWh/h for marketing on PRISMA, and to use kWh/h at the Bacton IPs. Example conversions and the effects, such as a Reducing Within Day Obligation, were illustrated.

The proposal will allow National Grid to work with both hourly and daily regimes with adjacent TSOs as appropriate.

The modification will be revised as appropriate.

### 4. Legal Text

Provision of the text for the Workgroup to review was discussed. MH anticipated having text ready for review at a dedicated meeting in October 2014.

### 5. Workgroup Report

The Workgroup Report is due to be presented at the UNC Modification Panel on 20 November 2014.

Consideration of the Workgroup Report was deferred.

### 6. Any Other Business

None.

### 7. Diary Planning

The following meetings are scheduled to take place during 2014.

Date	Location
Tuesday 16 September 2014 <b>European Workgroups Day: 0500 and 0501</b>	10:00 31 Homer Road, Solihull B91 3LT
Monday 29 September 2014 <b>European Workgroups Day: 0500 and 0501</b>	10:00 31 Homer Road, Solihull B91 3LT
Wednesday 08 October 2014 <b>European Workgroups Day: 0500 and 0501</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Tuesday 21 October 2014 <b>European Workgroups Day: 0500 and 0501</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Wednesday 05 November 2014 <b>European Workgroups Day: 0500 and 0501</b>	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0701</b>	11/07/14	2.1	To provide a view on whether Ofgem will give some high level guidelines for when it would withdraw capacity under LT UIOLI.	Ofgem (RM)	<b>Closed</b>
<b>0702</b>	11/07/14	2.1	To seek a view from his operational colleagues as to whether or not, a monthly (utilisation) report can be provided.	National Grid NTS (MM)	<b>Closed</b>
<b>0703</b>	11/07/14	2.2	To confirm their current surrender capacity processes.	National Grid NTS (MM)	<b>Closed</b>
<b>0801</b>	12/08/14	1.2	To ask PRISMA about the feasibility of selling capacity subject to minimum quantities being re-allocated for Surrender offers.	National Grid NTS (MH)	<b>Pending</b>