








Modification	At what stage is this document in the process?
<h1>0598:</h1> <h2>Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations</h2>	<div> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This modification seeks to facilitate compliance with the amended CAM Code at Interconnection Points (IP)s by introducing an amended auction calendar and changes to the treatment of capacity at Storage Exit points.</p>	
	<p>The Proposer recommends that this modification should be assessed by a Workgroup</p> <p>This modification will be presented by the Proposer to the Panel on 20 October 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>Shippers and National Grid NTS</p>
	<p>Medium Impact:</p> <p>N/A</p>
	<p>Low Impact:</p> <p>NA</p>

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Timetable		 Any questions? Contact: <b>Joint Office of Gas Transporters</b>  <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>  0121 288 2107 Proposer: <b>Matthew Hatch</b>  <a href="mailto:matthew.hatch@nationalgrid.com">matthew.hatch@nationalgrid.com</a>  01926 655893
<b>The Proposer recommends the following timetable:</b>		
Initial consideration by Workgroup	14 November 2016	
Workgroup Report presented to Panel	19 January 2017 (short notice)	
Draft Modification Report issued for consultation	19 January 2017	
Consultation Close-out for representations	09 February 2017	
Final Modification Report available for Panel	10 February 2017	
Modification Panel decision	16 February 2017	

# 1 Summary

## What

The EU Capacity Allocation Mechanism (CAM) code was introduced into the UNC via Modification 0500. Since then a number of amendments have been made to the EU CAM code and this modification seeks to introduce changes to the auction calendar and to the treatment of capacity at storage exit points when in an emergency situation.

The modification is based on the 15<sup>th</sup> September 2016 version of CAM and has not yet been approved via comitology. Due to the short time available prior to implementation in April 2017, it is necessary to proceed on the basis of the current legal text of CAM and amend following completion of comitology.

## Why

The EU CAM code is currently being amended, this Modification seeks to implement these amendments into the UNC to ensure compliance with these EU rules.

## How

The following amendments to CAM code will be added to the UNC.

- a) Auction calendar changes
  - The Annual Yearly Capacity Auction to start on the first Monday of July.
  - Four Annual Quarterly Capacity Auctions are to be held during each Gas Year.
- b) Changes offering capacity at Storage Exit Points
  - Where an emergency situation or where an exceptional event occurs in the Member State or an adjacent Member State firm capacity at IP(s) will have priority over firm capacity at storage.
- c) Clarifications
  - A number of clarifications have been made which do not result in UNC change but have been included within this Modification for information.

# 2 Governance

## Justification for Authority Direction

This modification is recommended to be sent to the Authority for direction because it may have a material impact on the commercial activities of Storage Users in defined circumstances. This introduces a difference within the rules between parties operating at IPs and parties operating at non-IPs, and it may be appropriate for these differences to be considered by Ofgem.

## Requested Next Steps

This Modification requires further industry discussion to assess the impacts of the CAM code amendments.

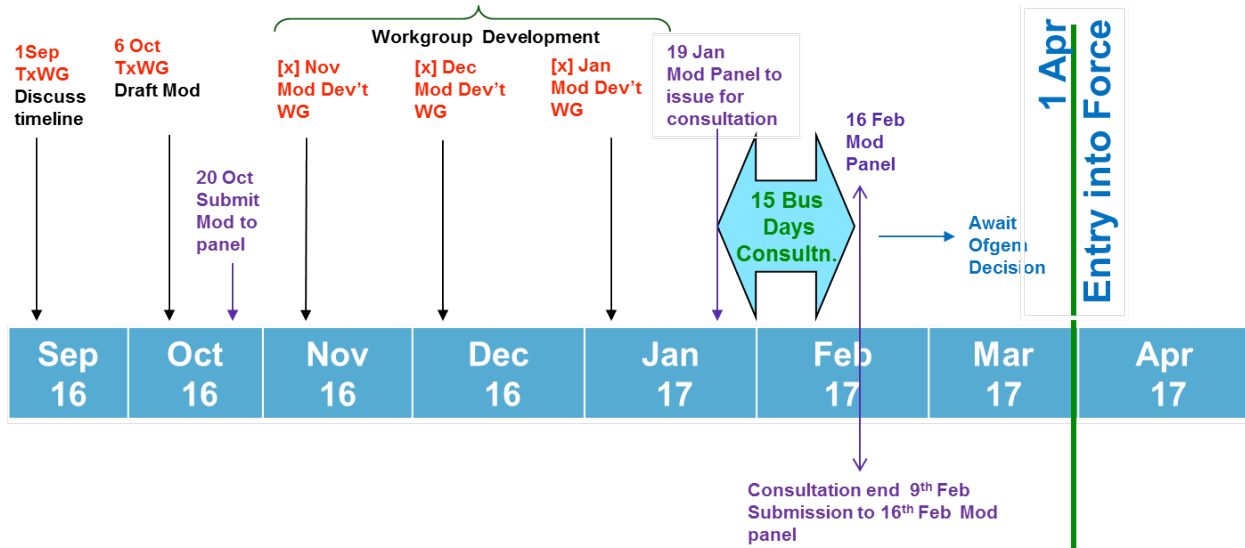
This Modification should:

- be subject to Authority Direction
- be assessed by a Workgroup

### 3 Why Change?

The EU CAM code is currently being amended. Changes to the UNC are required to ensure compliance with these amended rules and the regulation. These changes will principally affect NG NTS Shippers. If this Modification is not implemented GB may not be compliant with EU Regulations.

The expected timeline is as follows:



### 4 Code Specific Matters

#### Reference Documents

The amended CAM code can be found here:

[insert CAM code document link once available]

The original CAM Code can be found at the following location:

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R0984>

The draft Tariff Code can be found at the following location:

<http://www.gasgovernance.co.uk/sites/default/files/EU%20Tariff%20Code%20-%20final%20clean.pdf>

#### Knowledge/Skills

An understanding of the EU CAM code and the European Interconnection Document within the UNC would be beneficial.

## 5 Solution

### Annual Yearly Capacity Auctions

1. The Annual Yearly Capacity Auction shall be moved from March to July each year unless otherwise specified in the auction calendar.

### Annual Quarterly Capacity Auctions

2. Four Annual Quarterly Capacity Auctions shall be held during each gas year.
3. Capacity for quarters of the upcoming gas year shall be auctioned via concurrent auctions for each quarter and in relation to each interconnection point as follows:
  - a. in the first Annual Quarterly Capacity Auction; for quarters October-December, January-March, April-June, July-September
  - b. in the second Annual Quarterly Capacity Auction; for quarters January-March, April-June, July-September
  - c. in the third Annual Quarterly Capacity Auction; for quarters April-June, July-September
  - d. in the fourth Annual Quarterly Capacity Auction; for quarter July-September

For each Annual Quarterly Capacity Auction network users shall be able to participate in all of the concurrent auctions.

4. The bid window for the Annual Quarterly Capacity Auction shall commence on the following days, or as otherwise varied in the annually published ENTSOG Auction Calendar:
  - a. the first Annual Quarterly Capacity Auction shall start on the first Monday of August
  - b. the second Annual Quarterly Capacity Auctions shall start on the first Monday of November;
  - c. the third Annual Quarterly Capacity Auctions shall start on the first Monday of February;
  - d. the fourth Annual Quarterly Capacity Auction shall start on the first Monday of May

### Changes to offering capacity at Storage Exit points

5. The calculation methodology and the rules of making available the capacity, adopted by the transmission system operators, shall guarantee that when an emergency situation or when an exceptional event as defined in Article 2(a) of Commission Regulation (EU) No 2015/7036 occurs in the Member State or an adjacent Member State firm capacity at interconnection points has priority over firm capacity at exit points into storage facilities. In these defined circumstances NGG will not make firm capacity available at exit points into storage facilities.

### Clarifications

6. The CAM amendment has provided the following clarifications which NGG has provided for information.
  - a) Ascending Clock Auction
    - a. The volume bid per network user for a specific small price step shall be equal to or smaller than the volume bid placed by this network user in the previous bidding round of small price steps.

b) Uniform Price Auction Algorithm

- a. An unsuccessful bid will not be included within the demand for the purpose of calculating the clearing price.
- b. The amount of capacity for the respective standard capacity product applied for shall be equal to or smaller than the capacity offered in a specific auction

## 6 Impacts & Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact identified

### Consumer Impacts

There are no anticipated consumer impacts because the changes affect only some commercial arrangements for Shippers and Storage Users that do not have a direct link to consumer costs.

### Cross Code Impacts

None identified

### EU Code Impacts

This UNC Modification proposal demonstrates how GB will comply with the non-incremental amendments to the amended EU CAM code. There are also links into the Tariffs code. The relevant sections are Chapter 6 (Clearing Price and Payable Price), Article 24 (Calculation of Payable Price at Interconnection Points).

### Central Systems Impacts

There may be an impact upon Gemini and MIPI. There may be an impact on PRISMA where the auctions are run. These will be investigated as part of the Workgroup assessment.

Any system changes identified through this modification are anticipated to be dealt with, and funded, through National Grid's EU Phase 4 project.

### User Pays

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this Modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A
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## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

This modification furthers relevant objective g) *Compliance with the Regulation....* because it introduces appropriate changes into the UNC to reflect EU Regulation 984/2013 (as amended).

## 8 Implementation

No implementation timescales are proposed. The European Commission has specified that this regulation should come into effect on 1<sup>st</sup> April 2017.

It should be noted that an Authority decision on implementation is required no later than [30 March 2017] to ensure that the changes can be introduced into the UNC ahead of the effective date of the Regulation.

## 9 Legal Text

### Text Commentary

To be provided during the workgroup process.

### Text

To be provided during the workgroup process.

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment.