

UNC Workgroup Report		At what stage is this document in the process?
<h1>UNC 0598:</h1> <h2>Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>This modification seeks to facilitate compliance with the amended CAM Code at Interconnection Points (IP)s only by introducing an amended auction calendar.</p>		
	<p>The Workgroup recommends that this modification should:</p> <ul style="list-style-type: none"> • be subject to self-governance procedures • proceed to Consultation <p>The Panel will consider this Workgroup Report on 19 January 2017. The Panel will consider the recommendations and determine the appropriate next steps.</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		
Modification timetable:		
Initial consideration by Workgroup	14 November 2016	
Amended Modification considered by Workgroup	13 December 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 recommendation	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 replace the current Annual Quarterly Auction with four Annual Quarterly Capacity Auctions.

The modification is based on the version of CAM approved via comitology on 14 October 2016.

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 from 2018 onwards.
 - Four Annual Quarterly Capacity Auctions¹ are to be held during each Gas Year commencing August 2017 onwards.
- b) 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 was originally recommended to be sent to the Authority for direction because it was considered that it may have a material impact on the commercial activities of Storage Users in defined circumstances. This introduced a difference within the rules between parties operating at IPs and parties operating at non-IPs, and it was considered that it may be appropriate for those differences to be considered by Ofgem.

¹ Subject to available capacity.

² The final CAM text no longer gives priority to firm capacity at IPs over storage into exit points in emergency situations and as a result the wording regarding this is removed from the Modification. This wording may have been material to some Users but since it is now removed the Modification is considered non-material.

However, in view of the further amendments that have since been made to CAM and approved in comitology, which are reflected in this amended modification, it is believed it would now be more appropriate for this modification to follow self-governance procedures. This is on the basis that the modification² is moving auction dates and amending the Annual Quarterly Capacity Auction only and these changes are made in accordance with the CAM Regulation.

Workgroup participants considered the matter further, and understood that the changes in this proposal represented simple implementation of the CAM Regulation and supported the proposers view that it should follow self-governance procedures.

Requested Next Steps

This modification should:

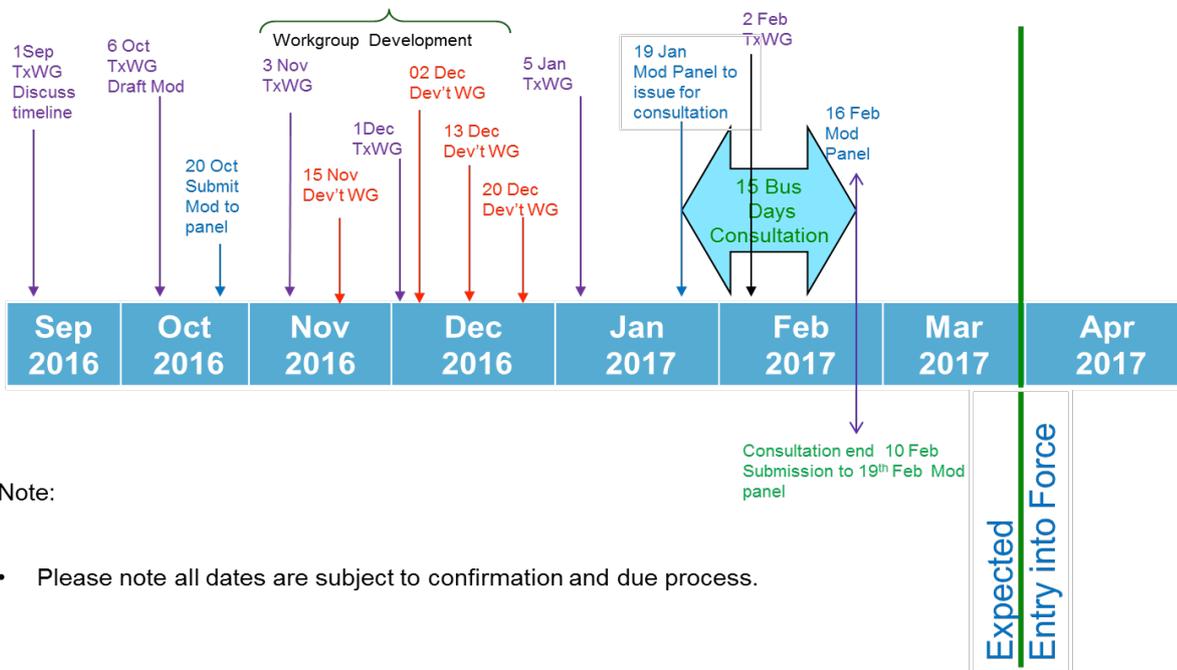
- Be considered for reassignment as a self-governance modification.
- Proceed to consultation

Workgroup participants agreed that the report was suitable for consultation.

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:



Note:

- Please note all dates are subject to confirmation and due process.

² The final CAM text no longer gives priority to firm capacity at IPs over storage into exit points in emergency situations and as a result the wording regarding this is removed from the Modification. This wording may have been material to some Users but since it is now removed the Modification is considered non-material.

4 Code Specific Matters

Reference Documents

The amended CAM code can be found here:

<http://www.gasgovernance.co.uk/sites/default/files/EU%20CAM%20post-Gas%20Committee%2013%20Oct%2016.pdf>

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 ENTSOG auction calendar. This commences from July 2018 onwards.³

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 Auction¹; 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

³ The Annual Yearly Capacity Auction will be held in March for the year 2017.

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 Auction¹ 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

Clarifications

5. The CAM amendment has provided the following clarifications which NGG has provided for information⁴.
 - 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 that do not have a direct link to consumer costs.

⁴ These clarifications do not require or propose any changes as they are current functionality within PRISMA (implemented under Modification 500)

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 code⁵.

Central Systems Impacts

No direct system changes have been identified however indirect system changes are required. However any system changes identified through this modification are anticipated to be dealt with, and funded, through National Grid's EU Phase 4 project.

Justification for change to Self-governance status

This modification was originally recommended to be sent to the Authority for direction but following amendments National Grid NTS proposed that it should follow self-governance procedures. The Workgroup considered this matter and agreed that the changes remaining in this proposal represented simple implementation of the CAM Regulation and supported the proposal.

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

⁵ For information only the applicable daily rate, in respect of IP capacity allocated in an annual yearly auction, will be floating from 1st October 2017. The relevant sections within the Tariff Code are Chapter 6 (Clearing Price and Payable Price). This may be subject of a future Modification in due course and does not impact on this Modification Proposal.)

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 1st April 2017, however this modification can only come into effect once the CAM amendment has come into force.

The default implementation date for self-governance modifications is 16 days after a Panel decision to implement. The earliest date this modification can be implemented is 1st April, however there is currently some uncertainty over whether this date will be applied, therefore National Grid NTS proposes to notify the Joint Office of the implementation date once the entry into force is confirmed.

9 Legal Text

Legal Text has been provided by National Grid NTS and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

Amendment	Comment
EID 4.4.3 shall be amended to read as follows:	
<p>4.4.3 In relation to an Annual Yearly Auction, the Auction shall start</p> <ul style="list-style-type: none"> a. up until and including 2017, on the first Monday in March in the Auction Year; b. from 2018 onwards, on the first Monday in July in the Auction Year; or, <p>in the case of both 4.4.3 (a) and 4.4.3 (b), such other date as is specified in the Auction Calendar.</p>	<p>Every year until the end of 2017 the Auction will start on the first Monday in March each year.</p> <p>At the beginning of 2018 the start date of the Auction changes to the first Monday in July each year.</p> <p>It is necessary to include a reference to both 2017 and 2018 as it possible that the CAM amendment enters into force but is not implemented ahead of the 2017 auction date.</p>
EID 4.4.4 shall be amended to read as follows:	
<p>4.4.4 Subject to available Capacity, there shall be four (4) Annual Quarterly Capacity Auctions in each Gas Year in which Capacity for specified calendar quarters of the relevant Gas Year for each Interconnection Point shall be auctioned in concurrent Auctions for the following Capacity Periods:</p> <ul style="list-style-type: none"> a) in the first Annual Quarterly Capacity 	<p>During an auction year for gas there will be four quarterly auctions.</p> <p>Each auction is for capacity at an interconnection point for the remaining quarters of the relevant gas year.</p> <p>This amended section provides for the quarters covered by the relevant auction.</p>

<p>Auction, for calendar quarters October-December; January-March; April-June; and July-September;</p> <p>b) in the second Annual Quarterly Capacity Auction, for calendar quarters January-March; April-June; and July-September;</p> <p>c) in the third Annual Quarterly Capacity Auction, for calendar quarters April-June; and July-September; and</p> <p>d) in the fourth Annual Quarterly Capacity Auction, for calendar quarter July-September.</p>	
<p>A new section 4.4.5 shall be inserted to read as follows:</p>	<p>There is no equivalent of this section in the current version of the EID, so it is necessary to insert a new paragraph.</p>
<p>4.4.5 For each Annual Quarterly Capacity Auction, Users shall be able to participate in all of the concurrent Auctions.</p>	<p>Users are permitted to participate in all auctions that are run on the date of a quarterly auction.</p>
<p>A new section 4.4.6 shall be inserted to read as follows:</p>	<p>It is necessary to insert a new section as the current version of EID does not provide for several annual quarterly auction dates.</p>
<p>4.4.6 In relation to Annual Quarterly Auctions, the Auction Dates will be as specified in this paragraph below; or such other date as is specified in the Auction Calendar:</p> <p>(a) The first Annual Quarterly Capacity Auction shall start on the first Monday of August;</p> <p>(b) The second Annual Quarterly Capacity Auction shall start on the first Monday of November;</p> <p>(c) The third Annual Quarterly Capacity Auction shall start on the first Monday of February; and</p> <p>(d) The fourth Annual Quarterly Capacity Auction shall start on the first</p>	<p>This section provides for the dates of each quarterly auction. Auction dates may change according to the ENTSOG auction calendar.</p>

Monday of May.	
The existing section EID 4.4.5 shall be re-numbered to 4.4.7	This is a consequential amendment following the insertion of the new additional sections. No substantive amendments to the existing section EID 4.4.5 (new 4.4.7) are made.

Text

EID Section B

Amend existing paragraph 4.4.3 to read as follows:

- 4.4.3 In relation to an Annual Yearly Auction, the Auction ~~Date will be the first Monday in March in the Auction Year, or such other date as is specified in the Auction Calendar~~ shall start
- (a) up until and including 2017, on the first Monday in March in the Auction Year;
 - (b) from 2018 onwards, on the first Monday in July in the Auction Year; or,
- in the case of both 4.4.3 (a) and 4.4.3 (b), such other date as is specified in the Auction Calendar.

Amend existing paragraph 4.4.4 to read as follows:

- 4.4.4 ~~In relation to an Annual Quarterly Auction, the Auction Date will be the first Monday in June in the Auction Year, or such other date as is specified in the Auction Calendar~~ Subject to available Capacity, there shall be four (4) Annual Quarterly Capacity Auctions in each Gas Year in which Capacity for specified calendar quarters of the relevant Gas Year for each Interconnection Point shall be auctioned in concurrent Auctions for the following Capacity Periods:
- (a) in the first Annual Quarterly Capacity Auction, for calendar quarters October-December; January-March; April-June; and July-September;
 - (b) in the second Annual Quarterly Capacity Auction, for calendar quarters January-March; April-June; and July-September;
 - (c) in the third Annual Quarterly Capacity Auction, for calendar quarters April-June; and July-September; and
 - (d) in the fourth Annual Quarterly Capacity Auction, for calendar quarter July-September.

Insert new paragraph 4.4.5 to read as follows:

- 4.4.5 For each Annual Quarterly Capacity Auction, Users shall be able to participate in all of the concurrent Auctions.

Insert new paragraph 4.4.6 as follows:

4.4.6 In relation to Annual Quarterly Auctions, the Auction Dates will be as specified in this paragraph below; or such other date as is specified in the Auction Calendar:

- (a) the first Annual Quarterly Capacity Auction shall start on the first Monday of August;
- (b) the second Annual Quarterly Capacity Auction shall start on the first Monday of November;
- (c) the third Annual Quarterly Capacity Auction shall start on the first Monday of February; and
- (d) the fourth Annual Quarterly Capacity Auction shall start on the first Monday of May.

Renumber existing paragraph 4.4.5 as 4.4.7 as follows:

~~4.4.5~~4.4.7 In relation to a Rolling Monthly Auction, the Auction Date will be the third Monday in the month before the month to which the Auction relates, or such other date as is specified in the Auction Calendar.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this proposal:

- be reassigned as a self-governance modification; and
- that it be issued to consultation.