

Entry Charging Review UNC Modification Proposals 0284 & 0285

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Introduction

- ◆ The Entry Charging Review was initiated in August 2009
 - ◆ Six meetings have been held
- ◆ A Charging & UNC Discussion document (GCD08) was consulted on which covered the work of the review group and the suggested first phase aimed at reducing the quantity of NTS Entry capacity auctioned at zero reserve price
 - ◆ The majority of respondents supported the first phase
- ◆ Charging Methodology (GCM19) & UNC (0284 & 0285) Proposals have been raised on behalf of the Entry Charging Review Group

Issues Raised at Mod Panel

- ◆ **UNC 0284 ~ Removal of the Zero Auction Reserve Price for Within-day Daily NTS Entry Capacity (WDDSEC)**
 - ◆ Legal Text
 - ◆ Will this require changes to the UNC transitional arrangements as bids for capacity can be posted at D-7?
- ◆ **UNC 0285 ~ "Use it or lose it" (UIOLI) Interruptible Capacity only to be released when there is at most 10% unsold firm entry capacity**
 - ◆ Legal Text
 - ◆ Will this require changes to the UNC transitional arrangements as bids for capacity can be posted at D-7?
 - ◆ European issues
 - ◆ Is the proposal consistent with the latest ERGEG documents
 - ◆ Impact at Moffat
 - ◆ Impact of Trade & Transfer arrangements
 - ◆ Is capacity transferred away from an ASEP counted as sold at the donor ASEP?

Legal Text

- ◆ Question

- ◆ Does the mod need to take into account the fact that bids placed up to 7 days before the gas day?

- ◆ National Grid NTS View

- ◆ We don't believe this is an issue as
 - ◆ bids can already be placed prior to the interruptible quantity being notified on the gas day.
 - ◆ bids can already be placed prior to a change in the firm reserve price becoming applicable on the first gas day of the month.

European Issues

- ◆ Question

- ◆ Is the mod consistent with the recent ERGEG papers and EU legislation?

- ◆ National Grid NTS View

- ◆ We believe the proposals are consistent as

- ◆ we will be releasing interruptible capacity when no more than 10% of firm capacity remains unsold and hence close to a constraint
 - ◆ EU regulations only require us to release interruptible in the event of a "contractual constraint" i.e. when firm capacity has sold out.
 - ◆ The recent ERGEG papers cover constraint management and we would be releasing capacity in the event of a constraint.
 - ◆ The zero firm reserve price is not cost reflective and not consistent with Europe.

Moffat

- ◆ Question
 - ◆ Is the proposal consistent with Moffat?
- ◆ National Grid NTS View
 - ◆ Prevailing arrangements
 - ◆ Moffat is not an entry point so there is no impact of either UNC0284 or UNC0285
 - ◆ Commercial Entry Counter Service
 - ◆ NTS interruptible entry capacity would have to be either discretionary or defined as a new component.
 - ◆ The “UIOLI” calculation is based on the unutilised firm capacity and therefore, if no firm has been released, the UIOLI component would be zero.

Trade & Transfer

- ◆ Question

- ◆ How is capacity transferred away from an ASEP treated?

Capacity at ASEP	Units	Ratio
Sold at ASEP	40	10/100 = 10%
Transferred (to other ASEP)	50	Or
Unsold	10	10/50 = 20%?
Total	100	

- ◆ Is UIOLI released immediately or does a further 5 units need to be sold?

- ◆ National Grid NTS View

- ◆ The 0285 proposal was drafted as UIOLI only being released when at least 90% of firm capacity had sold out.
- ◆ The intention of the proposal was to ensure that;
 - ◆ either, at least 10% of firm capacity was available,
 - ◆ or the UIOLI interruptible quantity was available

Amended UNC 0285 Proposal

◆ National Grid NTS View

- ◆ We have reworded the proposal such that it now reads;
- ◆ ***”Use it or lose it” (UIOLI) Interruptible Capacity only to be released when there is at most 10% unsold firm entry capacity***
- ◆ Unsold ratio equals $A/(B+C)$, or zero where $(B+C)$ equals zero.
 - ◆ Where:
 - ◆ A = Unsold NTS Entry Capacity (UNC B2.1.5(c) (iii))
 - ◆ B = NTS SO baseline Entry Capacity (UNC B2.1.5(a))
 - ◆ C = Incremental NTS Entry Capacity (UNC B2.1.5(b))

NB this relies on ‘Unsold NTS Entry Capacity’ which is a UNC defined term whereas ‘Sold NTS Entry Capacity’ is not a defined term.