

0163: Clarificatory Note

Provided by ScottishPower Energy Management

The modification is not fully developed

The intention was to introduce a simple, pragmatic mod to address a major issue and put it on top of the arrangements in mods 0156/0156A. These mods are all urgent and on very short timescales. Many people believe that the mod is not fully developed and we have raised a variation to clarify some aspects of the mod, particularly in relation to some of the points raised.

Modification requires a Variation

As above we have put more clarification to the mod. The panel can determine whether this variation is material or not.

No clarification on price

The weighted average price paid for sold capacity would be used.

For unsold, this would be the reserve price for the ASEP.

The Inclusion of unsold capacity

Originally it was intended that the mod related to sold and unsold, but on reading the mod there is no mention of the unsold capacity. A variation to explicitly include unsold capacity in the modification and address a potential concern below has been raised.

Allows capacity to be secured at the ASEP below what others may be willing to pay/ might not allow users to bid on an equal basis/second bite at the cherry/ could impact price signals from QSEC and AMSEC/Capacity is unwanted at that ASEP if not secured in the auctions

Have grouped these together since they relate to the same point – that ASEP users get some kind of preferential treatment and don't pay a market price at that ASEP.

We have designed the mod so that users do pay a market price for that ASEP! The auctions are ASEP specific, a nodal product. Entry capacity has been that way since auctions began in October 1999. Only capacity not required at the ASEP should be able to be moved – and that is subject to a market price for the zone or zones – because it is required to be moved between ASEPs within or between zones.

This capacity is not being moved from the ASEP and should not be subject to zonal pricing.

Under this modification, there is no incentive for users at an ASEP to withhold capacity from the trades & transfers process unless it is required at the ASEP.

Also, by including unsold capacity, this would need to be bought first, adding another disincentive for this type of hoarding.

Plenty of Notice that Trades and Transfers could be possible

Leaving aside the fact that there is still currently nothing in the licence, no agreed trades & transfer methodology, and no implemented modifications – we agree.

However, it was never envisaged that this methodology would allow capacity rights to be moved away from where they were required. Hence the need for this modification to ensure this doesn't happen.

People have bought capacity with the expectation of benefiting at another terminal/this is legitimate bidding behaviour

We agree that it is legitimate to pick up capacity, which is not required, to transfer it to another terminal. This mod seeks to ensure that capacity can't be transferred away from where it is required.

We do believe that without the mod there is potential for serious gaming and in any case we would be encouraging a close scrutiny of all behaviour surrounding the trades and transfers process.

The mod has some of the problems associated with 0156/0156A

Agreed. This is not the enduring process that is to be developed. We believe that it is very clear that this fixes an anomaly in 0156/0156A – that capacity can be transferred from where it is required.

Either you agree that capacity should be able to be transferred away from where it is required, potentially shutting down ASEPs, or you don't. This is the basis for support or non-support of mod 0163 and that is the consequence the mod seeks to address.

We believe that there are other objectives this mod furthers, but this is fundamental.

It is hoped the further clarification/variation can help to alleviate some concerns.