

# CMP: Long-term Use-It-Or-Lose-It: Mod 0485

# CMP: Long-term Use-it-or-lose-it Mechanism

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- Modification Proposal 0485 raised by NTS:
  - Introduction of Long-term use-it-or-lose-it mechanism to facilitate compliance with the EU Congestion Management Procedures
- **Monitoring requirements: Proposed approach for discussion**
  - ***CMP:*** “Transmission system operators shall regularly provide national regulatory authorities with all the data necessary to monitor the extent to which contracted capacities with effective contract duration of more than one year or recurring quarters covering at least two years are used.”
    - Obligation for NG to supply Ofgem with necessary data
    - Detailed monitoring guidance published on NG website not in UNC
    - **In UNC:** clarify timelines of process, record that relevant shippers will be individually notified of underutilisation and given opportunity to justify utilisation

# Monitoring of Utilisation – Initial Thoughts

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- What is underutilisation according to CMP?
  - *“the network user uses less than on average 80 % of its contracted capacity both from 1 April until 30 September and from 1 October until 31 March with an effective contract duration of more than one year for which no proper justification could be provided”*
- Key issue is what to monitor.
- For UNC regime it is our view that **entitlements** rather than **holdings** should be used to monitor utilisation .
- Why choose net entitlement over specific holdings?
  - In UNC system shippers flow against entitlements not specific capacity contracts
  - Entitlement takes account of capacity trades
- This approach maintains current arrangements.

## Withdrawal Process – Initial View

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- Users to provide clarification/details of utilisation if receive a second consecutive “underutilisation notification”
- If directed by Authority NGG will withdraw capacity based on existing surrender process
- NGG will submit surrender offers (on behalf of any affected shipper) per calendar month (or annual quantity) per affected IP
- Hierarchy of allocation needs to be considered
  - Unsold -> voluntary surrender -> withdrawal -> non-obligated
- **ENTRY**
  - First available AMSEC
- **EXIT**
  - First available annual (flat) exit auction

## Long-term Use-it-or-lose-it: Summary

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- Only triggered if no unsold
- Aim to minimise changes to systems and look to utilise existing functionality
- Uses transparent utilisation test
- Allow period for shipper to provide details on utilisation
- Withdrawal based on existing surrender processes (arising from Mod 449) until CAM is implemented
- Utilisation monitoring from 1<sup>st</sup> October 2013
- First report ~April 2014
- LTUIOLI withdrawal instruction from Ofgem could occur post-October 2014
- First withdrawal could be Feb 2015 AMSEC auction for entry and July 2015 for annual (flat) exit

# CMP: LTUIOLI – Modification Proposal

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- Proposed Timeline to meet 1<sup>st</sup> October 2014 implementation date (*all dates subject to confirmation and due process*):
  - Submit to Modification Panel: **20 February**
  - Workgroup development: **March – June**
    - Initial sight of draft legal text: late March
  - Modification Panel (to issue for consultation): **19 June**
  - Industry Consultation closes: **11 July**
  - Panel recommendation: **21 August**
  - Await Ofgem decision