

# 0546S:

## Reduction of the Minimum Eligible Quantity (100,000kWh) for European IP capacity

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*This modification seeks to support the potential for capacity bundling at Interconnection Points (IPs) by reducing the minimum eligible quantity applicable for capacity bids and surrender offers.*



Panel consideration is due on 17 September 2015











High Impact: - None



Medium Impact: - None



Low Impact: Shippers and National Grid NTS

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<b>About this document:</b>		 01926 655893
This Final Modification Report will be presented to the Panel on 17 September 2015. The Panel will consider the views presented and decide whether or not this self-governance change should be made.		<b>Transporter:</b> National Grid NTS
The Workgroup recommends the following timetable:		 <a href="mailto:matthew.Hatch@nationalgrid.com">matthew.Hatch@nationalgrid.com</a>
Initial consideration by Workgroup	06 August 2015	
Workgroup Report presented to Panel	20 August 2015	 01926 655893
Draft Modification Report issued for consultation	20 August 2015	<b>Systems Provider:</b> Xoserve
Consultation Close-out for representations	10 September 2015	
Final Modification Report published for Panel	14 September 2015	 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
UNC Modification Panel decision	17 September 2015	

## 1 Summary

### Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because the change proposed is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes and is unlikely to discriminate between different classes of parties to the Uniform Network Code/relevant gas transporters, gas shippers or DN operators.

## Is this a Fast Track Self-Governance Modification?

Fast Track Self -Governance is not proposed because this modification does not satisfy the criteria set out for such a proposal as it is not properly a house keeping change.

### Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013, otherwise known as the code on Capacity Allocation Mechanisms (CAM)) to harmonise transparent and non-discriminatory access to transmission capacity at applicable Interconnection Points (IPs) across the European Union. CAM introduces requirements for firm capacity bundling at IPs. The European Interconnection Document (EID) was introduced by Modifications 0493 and 0500 (both of which were implemented with effect from 06:00 on 19 June 2015). IP Capacity transactions are subject to the definition of “Minimum Eligible Quantity” as defined in EID and are not currently permitted below 100,000 kWh/day (or the equivalent in kWh/hour).

Reducing the minimum quantity permitted would further support the potential for firm capacity bundling at EU IPs and consequently supporting the principle of cooperation with adjacent TSOs. It will also assist parties, particularly those at the Moffat IP to Northern Ireland and the Republic of Ireland, whose market downstream is small in comparison to mainland GB and who have offtakes that flow less than the current 100,000 kWh minimum. This will be of particular benefit to Capacity offered by TSOs as bundled on both sides of the IP.

### Solution

It is proposed to amend the UNC EID Section B 2.1.4 (h), to reduce the Minimum Eligible Quantity of IP Capacity (both Entry and Exit) for which certain capacity transactions can be made from 100,000 kWh to 1 kWh.

For those operating in kWh/d the minimum would be 1 kWh/d (day)

For those operating in kWh/h the minimum would be 1 kWh/h (hour)

For clarity this modification is only proposed to apply at EU IPs and not at any other GB ASEP or NTS Exit Points.

### Relevant Objectives

Implementation of the modification would better facilitate achievement of the following relative objective:

g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators.

### Implementation

As self-governance procedures are proposed and in line with these procedures, implementation could be 16 days after a Modification Panel decision to implement.

No implementation costs are envisaged for any party.

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

No impact identified.

## 2 Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013) establishing a Network Code on CAM in Gas Transmission Systems. Modification 0500 was introduced to comply with Commission Regulation (EU) No 984/2013 (Capacity Allocation Mechanisms) and continued compliance with Annex 1 to regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks with regard to the Congestion Management Procedures. Modification 0500 was approved by Ofgem in June 2015 following extensive Industry development and consultation. Recently some Industry parties have requested that the Minimum Eligible Quantity at EU IPs be reduced. Adjacent TSOs at the Moffat IP, Premier Transmission Ltd (PTL) and Gas Networks Ireland (GNI), have highlighted (via their shippers) an issue whereby due to offtakes from their systems which are less than the current minimum eligible quantity on the GB side, that this would have a detrimental impact on the Irish market when implemented via CAM (Modification 0500) in November 2015.

Furthermore CAM creates bundling rules for firm capacity at EU IP Entry and Exit Points. To support the principles behind the bundling of capacity and the principle of cooperation with adjacent TSOs, it is proposed to reduce the Minimum Eligible Quantity of a capacity bid or surrender offer.

The Minimum Eligible Quantity for certain capacity transactions will be reduced to 1 kWh at EU Interconnection Points (IPs). Some interested parties have indicated that the current threshold of 100,000 kWh would be a barrier to them booking capacity across the IPs under the new EU CAM Regulation.

## 3 Solution

In relation to Interconnection Points, EID Section B 2.1.4 (h) states that capacity bids (*EID Section B 4.5.4 (a) & 5.5.4 (a)*) and surrender offers (*EID Section B 7.2.2 (d)*) entered on PRISMA are not permitted below a Minimum Eligible Quantity of 100,000 kWh/d (or the equivalent in kWh/hour). This Modification proposes to reduce the Minimum Eligible Quantity to 1 kWh.

If implemented Users would be able to bid for NTS Entry and Exit Capacity or offer to surrender NTS Entry and Exit Capacity at EU IPs in an amount less than the current 100,000 kWh/day.

For those operating in kWh/d the minimum would be 1 kWh/d (day)

For those operating in kWh/h the minimum would be 1 kWh/h (hour)

For clarity this modification only applies at EU IPs and not at any other GB ASEP or NTS Exit Points

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.	Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

## 4 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.	Not applicable
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.	Not applicable
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.	Not applicable
f) Promotion of efficiency in the implementation and administration of the Code.	Not applicable
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 will ensure that the UNC takes account of compliance with the CAM Code and therefore better facilitates relevant objective g). This is because it enhances co-operation between TSOs; in particular it facilitates the potential of offering bundled capacity down to 1 kWh per day or hour as appropriate.

## 5 Implementation

National Grid NTS currently understands that the September 2015 planned release of Gemini for EU changes will cater for this change.

National Grid NTS currently also understands that the new PRISMA release for EU changes will cater for this change.

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 6 Impacts

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

The implementation of this modification would have no impact on the implementation of other changes associated with the adoption of European Codes.

## 7 Legal Text

The following text has been prepared by National Grid NTS, and no issues were raised by the Workgroup regarding its content. Due to the simplicity of the change, no Commentary is required.

EID Section B2.1.4(h)

(h) the minimum eligible quantity (the smallest amount of Interconnection Point Capacity for which certain capacity transactions may be made) ~~is 100,000 kWh/Day (or the equivalent in kWh/hour), in relation to an Interconnection Point at which (in accordance with paragraph 1.3.3) amounts of Interconnection Point Capacity are expressed:~~

(i) \_\_\_\_\_ in kWh/Day, is 1 kWh/day;

(ii) \_\_\_\_\_ in kWh/hour, is 1 kWh/hour;

## 8 Consultation Responses

Of the 3 representations received implementation was unanimously supported

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas Trading	Support	g- positive	<ul style="list-style-type: none"> <li>Support reducing the Minimum Eligible Quantity at IPs which will permit more efficient procurement and surrender of IP capacity.</li> </ul>
National Grid Transmission	Support	g - positive	<ul style="list-style-type: none"> <li>This change is consistent with the requirement for adjacent TSOs to cooperate and it supports the principle of offering bundled capacity across an IP and therefore better facilitates Relevant Objective 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”.</li> </ul>
Premier Transmission Ltd	Support	g - positive	<ul style="list-style-type: none"> <li>This proposal will further support the potential for firm capacity bundling as required under CAM. Premier Transmission Limited (PTL) is one of the Transmission System Operators in Northern Ireland (NI) and shall be bundling firm capacity with National Grid.</li> <li>If a Minimum Eligible Quantity of 100,000kWh was implemented, it would be considered to be a significant barrier to entry for new Shippers wishing to operate in the NI market.</li> <li>Our experience has shown that new entrants often require a smaller amount of firm capacity during their start-up phase. The higher amount would also create problems for some of the existing Shippers who at times require less than this value. As the reduction to 1kWh is essential for the NI market, PTL strongly support this proposed change.</li> </ul>

Representations are published alongside the Final Modification Report.

## 9 Panel Discussions

## 10 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel recommends]:

- that proposed self-governance Modification 0546S [should/should not] be made.