

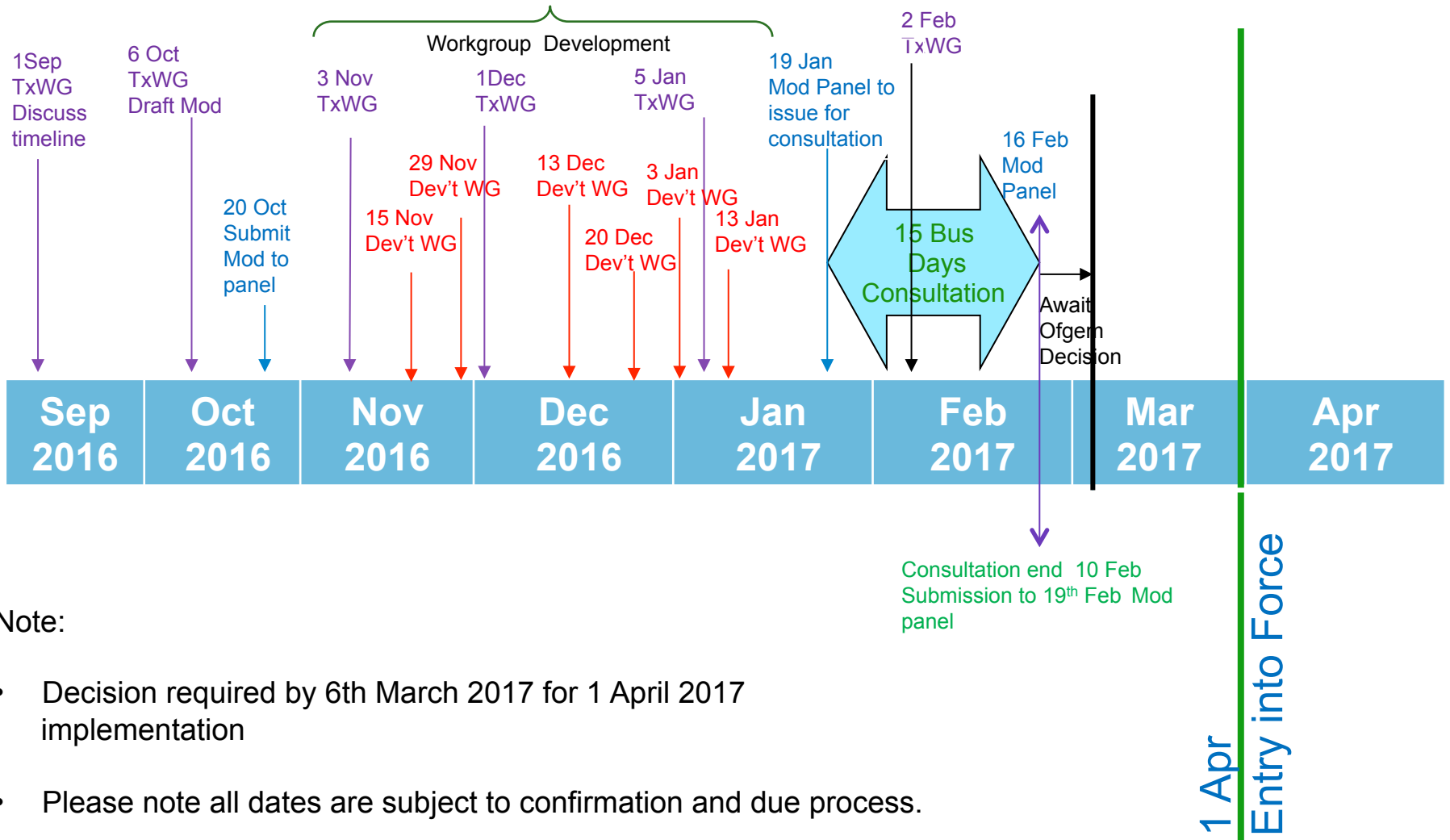
Supporting Slides for UNC Modification 598

15 November 2016

CAM update

- Rescheduled Comitology Meeting took place on 13th/14th October 2016.
 - Final changes made and final clean version of CAM published on JO Website:
<http://www.gasgovernance.co.uk/sites/default/files/EU%20CAM%20post-Gas%20Committee%202013%20Oct%202016.pdf>
- Some final changes impact UNC modifications raised.
- 1st April 2017 remains Entry into Force date

Indicative Timeline



Note:

- Decision required by 6th March 2017 for 1 April 2017 implementation
- Please note all dates are subject to confirmation and due process.

1 Apr
Entry into Force

Mod 598 - Amendments to CAM to comply with EU Capacity Regulations

- **Mod 598 introduces an amended auction calendar**
 - The annual yearly capacity auction to move from March to July each year
 - Single annual quarterly capacity auction (previously held in June) replaced by four annual quarterly capacity auctions in each Gas Year. 1st of the 4 quarterly auctions starts in August
- **ENTSOG calendar to be published for 2017/2018**
 - Annual Auction March 2017, and in 2018 moves to July 2018
 - Quarterly Auction August 2017, November 2017, February 2018, May 2018

Annual Yearly Capacity Auction

- **For 2017 there will only be one annual yearly capacity auction**
 - held on the first Monday of March 2017.
- **From 2018 onwards the annual yearly capacity auction will be held on the first Monday of July each year**
 - Invite publication remains 1 month prior to start of auction
 - Auction algorithm remains as ascending clock
 - Allocation remains as the next business day (after the closing bid window)
 - Surrender offers lapse, if not accepted, following auction.

Applicable Auction Prices for Y+1

Interconnector Capacity Auction	Applicable Published Prices to which Entry capacity relates	Applicable Published Prices to which Exit capacity relates
Annual Yearly Capacity Auction	Annual Yearly	Indicative Final Exit Capacity Prices
Annual Quarterly Capacity Auction	Annual Yearly	Final Exit Capacity Prices

CAM Code links to Tariff Code

- The final CAM text (Article 17 paragraph 20 and Article 18 paragraph 11) states

“Successful network users shall pay the clearing price of the specific auction, which may be a fixed or a floating payable price approach set out in Article 24 of Regulation (EU) No XXX/201X (TAR NC)”

TAR NC: Art 24. Calculation of payable price at IPs

- (a) where the floating payable price approach is applied:

$$P_{\text{flo}} = P_{\text{R,flo}} + \text{AP}$$

Where:

P_{flo} is the floating payable price;

$P_{\text{R,flo}}$ is the reserve price for a standard capacity product applicable at the time when this product may be used;

AP is the auction premium, if any.

“Floating” within the context of the TAR NC only refers to payable price reflecting the prevailing reserve price at the time of use.

TAR NC: Implementation of floating price

- TAR NC expected to Enter into Force at same time as CAM amendment (i.e. prior to 1 April 2017)
- Only Annual Yearly Auctions impacted
 - First Annual Yearly Auction impacted by TAR NC is **July 2018**
- In practice, only annual yearly entry capacity prices at Bacton IP impacted by changes in 2018
- The entry price offered at Bacton IP shall be a floating payable price
 - This means that payable price shall be:
 - **October 2018**: auction clearing price (reserve price plus auction premium)
 - **October 2019** onwards: prevailing reserve price plus original auction premium

Interconnection Point Prices - Example

Auction	Entry Capacity Prices	Exit Capacity Prices
Current Annual Yearly IP Auction	Clearing Price (Reserve Price (plus Auction Premium))	Prevailing Price (plus original Auction Premium)
Annual Yearly IP Auction July 2018 auction and future Annual Yearly Auctions	Prevailing Price (plus original Auction Premium)	Prevailing Price (plus original Auction Premium)

Annual Quarterly Capacity Auction

- From 1 April 2017 four annual quarterly auctions shall be held during each gas year. The first one will be held in August (there will no longer be a single quarterly capacity auction in held in June each year)

Auction held on 1 st Monday of the month		Capacity for the period			
		Oct - Dec	Jan-Mar	Apr-Jun	Jul - Sep
August 2017	4 qtrs	✓	✓	✓	✓
November 2017	3 qtrs		✓	✓	✓
February 2018	2 qtrs			✓	✓
May 2018	1 qtr				✓

- Invite publication remains 2 weeks prior to start of the auction
- Auction algorithm remains as ascending clock
- Allocation remains as next business day (after closing bid window)
- Surrender offers lapse, if not accepted, following auction

Clarifications

- The CAM amendment has provided the following clarifications
- **Ascending Clock Auction**
 - 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.
- **Uniform Price Auction Algorithm**
 - An unsuccessful bid will not be included within the demand for the purpose of calculating the clearing price.
 - 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.

Emergency

- The CAM text changed (since Mod 598 was drafted), and there is no longer any wording giving priority to IPs over exit into storage.
- Following the Comitology meeting 13/14th October 2016 the final CAM text now states
 - *“The calculation methodology and the rules of making available the capacity, adopted by the transmission system operators, shall address specific situations where competing capacities across systems involve interconnection points and exit points to storage facilities.”*
- NG now propose to remove the wording within Modification 598 giving priority in, an emergency situation, to firm capacity at IP(s) over firm capacity at storage.
- NG will continue as per current procedures as there is no change to System Management Principles (SMPS)

TAR NC: Transparency Requirements

- Transparency is a key component of TAR NC
- Chapter VIII of TAR NC describes publication requirements, both before each annual auction and before the start of the tariff period
 - **Art. 29 supports CAM**
 - Information to be published before annual yearly auction
 - First applicable auction = **July 2018**
- Requirements gathering is currently underway and will be fully discussed at Transmission Workgroup
- Transparency requirements and publication timelines for annual auctions will be elaborated here at next meeting of this workgroup.

Next Steps

- Mod 598 to be updated with the wording on emergency removed.
- Aim to submit legal text for next WG 29th November.
- Please review and feedback to NG before next WG.