

Modification

At what stage is this document in the process?





0598:

Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

Purpose of Modification:

This modification seeks to facilitate compliance with the amended CAM Code at Interconnection Points (IP)s **only** by introducing an amended auction calendar.

	<p>The Proposer recommends that this modification should be assessed by a Workgroup</p> <p>This modification will be presented by the Proposer to the Panel on 20 October 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>Shippers and National Grid NTS</p>
	<p>Medium Impact:</p> <p>N/A</p>
	<p>Low Impact:</p> <p>NA</p>

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? Any questions?

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Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	14 November 2016
Workgroup Report presented to Panel	19 January 2017 (short notice)
Draft Modification Report issued for consultation	19 January 2017
Consultation Close-out for representations	09 February 2017
Final Modification Report available for Panel	10 February 2017
Modification Panel decision	16 February 2017

1 Summary

What

The EU Capacity Allocation Mechanism (CAM) code was introduced into the UNC via Modification 0500. Since then a number of amendments have been made to the EU CAM code and this modification seeks to introduce changes to the auction calendar and replace the current Annual Quarterly Capacity Auction with four Annual Quarterly Capacity Auctions.

The modification is based on the version of CAM approved via comitology on 14th October 2016.

Why

The EU CAM code is currently being amended, this Modification seeks to implement these amendments into the UNC to ensure compliance with these EU rules.

How

The following amendments to CAM code will be added to the UNC.

- a) Auction calendar changes
 - The Annual Yearly Capacity Auction to start on the first Monday of July from 2018 onwards.
 - Four Annual Quarterly Capacity Auctions are to be held during each Gas Year, commencing August 2017 onwards.
- b) Clarifications
 - A number of clarifications have been made which do not result in UNC changes but have been included within this Modification for information.

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2 Governance

Justification for Authority Direction

This modification is recommended to be self-governance. This is on the basis that the modification¹ is moving auction dates and amending the Annual Quarterly Capacity Auction only and these changes are not material to existing or future gas consumers, pipeline operation or UNC governance.

Requested Next Steps

This Modification requires further industry discussion to assess the impacts of the CAM code amendments.

This Modification should:

¹ The final CAM text no longer gives priority to firm capacity at IPs over storage into exit points in emergency situations and as a result the wording regarding this is removed from the Modification. This wording may have been material to some Users but since it is now removed the Modification is considered non-material.

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- be assessed by a Workgroup

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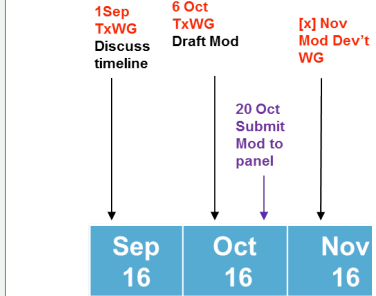
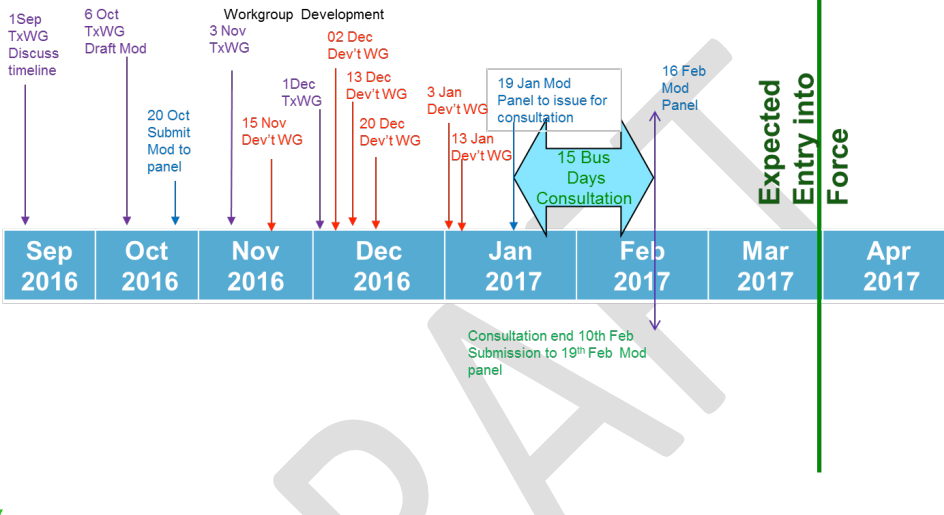
3 Why Change?

The EU CAM code is currently being amended. Changes to the UNC are required to ensure compliance with these amended rules and the regulation. These changes will principally affect NG NTS Shippers. If this Modification is not implemented GB may not be compliant with EU Regulations.

The potential timeline is as follows (amended for self-governance):

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4 Code Specific Matters

Reference Documents

The amended CAM code can be found here:

<http://www.gasgovernance.co.uk/sites/default/files/EU%20CAM%20post-Gas%20Committee%2013%20Oct%2016.pdf>

The original CAM Code can be found at the following location:

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R0984>

The draft Tariff Code can be found at the following location:

<http://www.gasgovernance.co.uk/sites/default/files/EU%20Tariff%20Code%20-%20final%20clean.pdf>

Knowledge/Skills

An understanding of the EU CAM code and the European Interconnection Document within the UNC would be beneficial.

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5 Solution

Annual Yearly Capacity Auctions

1. The Annual Yearly Capacity Auction shall be moved from March to July each year unless otherwise specified in the [ENTSOG auction calendar](#). [This commences from July 2018 onwards²](#).

Annual Quarterly Capacity Auctions

2. Four Annual Quarterly Capacity Auctions shall be held during each gas year.
3. Capacity for quarters of the upcoming gas year shall be auctioned via concurrent auctions for each quarter and in relation to each interconnection point as follows:
 - a. in the first Annual Quarterly Capacity Auction; for quarters October-December, January-March, April-June, July-September
 - b. in the second Annual Quarterly Capacity Auction; for quarters January-March, April-June, July-September
 - c. in the third Annual Quarterly Capacity Auction; for quarters April-June, July-September
 - d. in the fourth Annual Quarterly Capacity Auction; for quarter July-September

For each Annual Quarterly Capacity Auction network users shall be able to participate in all of the concurrent auctions.

4. The bid window for the Annual Quarterly Capacity Auction shall commence on the following days, or as otherwise varied in the annually published ENTSOG Auction Calendar:
 - a. the first Annual Quarterly Capacity Auction shall start on the first Monday of August
 - b. the second Annual Quarterly Capacity Auctions shall start on the first Monday of November;
 - c. the third Annual Quarterly Capacity Auctions shall start on the first Monday of February;
 - d. the fourth Annual Quarterly Capacity Auction shall start on the first Monday of May

Clarifications

5. The CAM amendment has provided the following clarifications which NGG has provided for information.³
 - a) Ascending Clock Auction

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² [The Annual Yearly Capacity Auction will be held in March for the year 2017](#)

³ [These clarifications do not require or propose any changes as they are current functionality within PRISMA \(implemented under Modification 500\)](#)

- a. 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.
- b) Uniform Price Auction Algorithm
 - a. An unsuccessful bid will not be included within the demand for the purpose of calculating the clearing price.
 - b. 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

6 Impacts & Other Considerations

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

No impact identified.

Consumer Impacts

There are no anticipated consumer impacts because the changes affect only some commercial arrangements for Shippers that do not have a direct link to consumer costs.

Cross Code Impacts

None identified.

EU Code Impacts

This UNC Modification proposal demonstrates how GB will comply with the non-incremental amendments to the amended EU CAM code. There are also links into the Tariffs code⁴.

Central Systems Impacts

No system changes have been identified.

However if any system changes are identified through this modification they are anticipated to be dealt with, and funded, through National Grid's EU Phase 4 project.

User Pays

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.

⁴[For information only the applicable daily rate, in respect of IP capacity allocated in an annual yearly auction, will be floating from 1st October 2017. The relevant sections within the Tariff Code are Chapter 6 (Clearing Price and Payable Price). This may be subject of a future Modification in due course and does not impact on this Modification Proposal.]

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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.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

7 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.	None
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.	None
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
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 furthers relevant objective g) *Compliance with the Regulation....* because it introduces appropriate changes into the UNC to reflect EU Regulation 984/2013 (as amended).

8 Implementation

No implementation timescales are proposed. The European Commission has specified that this regulation should come into effect on 1st April 2017, however this modification can only come into effect once the CAM amendment has come into force.

The default implementation date for a self-governance modifications is 16 days after a Panel decision to implement. The earliest date this modification can be implemented is 1st April, however there is currently some uncertainty over whether this date will be applied, therefore National Grid NTS proposes to notify the Joint Office of the implementation date once the entry into force is confirmed.⁵

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9 Legal Text

Text Commentary

To be provided during the workgroup process.

Text

EID 4.4.3 shall be amended to read as follows:

4.4.3 In relation to an Annual Yearly Auction, the Auction shall start

a. up until and including 2017, on the first Monday in March in the Auction Year;

b. from 2018 onwards, on the first Monday in July in the Auction Year; or,

in the case of both 4.4.3 (a) and 4.4.3 (b), such other date as is specified in the Auction Calendar.

EID 4.4.4 shall be amended to read as follows:

4.4.4 There shall be four (4) Annual Quarterly Capacity Auctions in each Gas Year in which Capacity for specified calendar quarters of the relevant Gas Year ahead for each Interconnection Point shall be auctioned in concurrent Auctions for the following Capacity Periods:

(a) in the first Annual Quarterly Capacity Auction, for calendar quarters October-December; January-March; April-June; and July-September;

(b) in the second Annual Quarterly Capacity Auction, for calendar quarters January-March; April-June; and July-September;

(c) in the third Annual Quarterly Capacity Auction, for calendar quarters April-June; and July-September; and

(d) in the fourth Annual Quarterly Capacity Auction, for calendar quarter July-September.

A new section 4.4.5 shall be inserted to read as follows:

4.4.5 For each Annual Quarterly Capacity Auction, Users shall be able to participate in all of the concurrent Auctions.

⁵ Assuming the Modification is amended to Self-Governance.

A new section 4.4.6 shall be inserted to read as follows:

4.4.6 In relation to Annual Quarterly Auctions, the Auction Date will as specified in this section below; or such other date as is specified in the Auction Calendar:

- (a) The first Annual Quarterly Capacity Auction shall start on the first Monday of August;
- (b) The second Annual Quarterly Capacity Auctions shall start on the first Monday of November;
- (c) The third Annual Quarterly Capacity Auctions shall start on the first Monday of February; and
- (d) The fourth Annual Quarterly Capacity Auction shall start on the first Monday of May.

The existing section EID 4.4.5 shall be re-numbered to 4.4.7

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment.

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