Ofgem Comments on the CMP mechanisms

1.1.   Regarding the process for surrendering capacity, we have five concerns:

1.2. First, we note that any surrendered capacity must be for a minimum of one calendar month, and that it must satisfy one or more sub-transaction periods of the allocation process when aggregated with other surrender offers. We consider this to undermine the intention of this mechanism by limiting the amount of capacity that can be surrendered;

1.3. Second, we note that users may not submit more than one surrender offer per calendar quarter per interconnection point aggregated system entry point. Again, we consider this to limit the amount of capacity that can be surrendered, thus undermining the intention of the mechanism;

1.4. Third, we note that where more than one user has surrendered capacity and quantities of surrendered capacity exceed bid requests, surrender offers will be prorated accordingly. Our preference would be for surrendered capacity to be date-stamped, thus incentivising shippers holding unwanted capacity to surrender it as early as possible;

1.5. Fourth, it is currently unclear from the draft Modification how a price is determined for any capacity surrendered, and whether – as the CMP Guidelines require – this capacity is only allocated after all existing capacity has been sold. We seek clarity on this point;

1.6. Fifth, there appears to be some inconsistency in the document regarding where liability for entry capacity charges lie when a shipper surrenders capacity. We seek clarification on this.

1.7.   We note NGG's comment that the oversubscription and surrender processes will be transitional. We expect this to mean that any approved process would be in place and implemented, but may be subject to change under an enduring regime that is also compliant with the Capacity Allocation Mechanism (CAM) European network code when the CAM code is implemented.

1.8.   The modification is silent on long-term use-it-or-lose-it (UIOLI). We consider that a long-term UIOLI mechanism should be included in this code modification and look forward to receiving proposals for this in line with the CMP Guideline requirements