Joint Office of Gas Transporters

UNC Modification	At what stage is this document in the process?

# UNC 0745: ## Mandatory Setting of Auction Bid Parameters	01 Modification
	02 Workgroup Report
	03 Draft Modification Report
	04 Final Modification Report

Purpose of Modification:

This modification proposes to mandate the setting of certain bid parameters prior to Users being able to place bids in an Auction.

✓	The Proposer recommends that this modification should be: • subject to self-governance • assessed by a Workgroup This modification will be presented by the Proposer to the Panel on 19 Nov 2020. The Panel will consider the Proposer's recommendation and determine the appropriate route.
❗	High Impact:
❗	Medium Impact:
❗	Low Impact: Shippers; DNs; National Grid

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Contents

Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	03 Dec 2020
Workgroup Report presented to Panel	18 February 2021
Draft Modification Report issued for consultation	18 February 2021
Consultation Close-out for representations	8 March 2021
Final Modification Report available for Panel	15 March 2021 (at short notice)
Modification Panel decision	18 March 2021

Any questions?

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1 Summary

What

This modification proposal seeks to mandate that Users set certain bid parameters, before placing bids in short term entry or exit auctions on the Gemini system. All auctions with a daily capacity product are in scope, including both firm and interruptible / off-peak. Interconnection Points are excluded, as the bid parameters would be required to be input into Gemini only, and not PRISMA.

Why

Users occasionally place bids that have some form of error within them in terms of the volume or price. Mandating the setting of 'price' and 'volume' will remove the chances of the higher order of magnitude mistakes being made. This will help prevent Users from placing bids containing errors. It will also protect the wider industry from the effort, complexity and confusion that may arise should bids placed in error be successfully disputed.

How

An additional rule shall be added into the relevant auction rules sections in the UNC Transportation Principal Document (TPD) Section B. The Gemini system shall be changed so that the setting of the 'price' and 'volume' bid parameters by Users shall become mandatory prior to auction participation.

2 Governance

Justification for Self-Governance, Authority Direction or Urgency

Self-Governance arrangements are proposed for this modification proposal.

This modification would create an additional safeguard for Users participating in the acquisition of capacity. This safeguard would reduce the likelihood and scale of errors occurring; however, such errors are not currently considered to be of such a scale and frequency, that the impact of this modification should be considered as having a material effect on competition in the market.

All Users participating in the relevant auctions will be treated the same, with each party having to set their own bid parameters. This is a relatively small one-off administrative task that does not inhibit parties in any material sense from participating in the capacity auction processes.

Requested Next Steps

This modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup

3 Why Change?

1. Gemini has existing functionality to help Users prevent bidding errors. However, Users inform us that errors nonetheless do occur from time to time. Gemini would automatically process all bids entered provided the bid data meets system limits, but it should be noted that these limits are wide and are not designed to function as a safety net for Users. National Grid does not have responsibility to monitor and

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question bids. It is the responsibility of bidding parties to make sure they have appropriate checks and balances in place to mitigate against the risk of errors occurring in any bids submitted.

If bids are entered incorrectly, then this can have multiple impacts upon other parties:

- The amount of capacity allocated across multiple auction parties may be impacted.

- The revenue generated and fed into neutrality calculations may also be impacted.

- Overrun charges may be impacted for other participants.

Furthermore, in the event that an ex-post correction is made to a bid, then these areas may need to be adjusted. It is therefore important that the risk of erroneous bids being placed should be minimised, and this modification seeks to add a further layer of protection to that end, by making it a rule that a shipper must set bid parameters on the Gemini system as a pre-condition to placing bids.

2. Because this proposal would create a condition that must be met before bids can be placed, then for transparency, it should be added to the auction rules within UNC.

3. Should the change not be implemented then shippers would be free to continue placing bids without having set bid parameters. The risk of erroneous bids occurring would remain at the current level.

4   Code Specific Matters

Reference Documents

n/a

Knowledge/Skills

n/a

5   Solution

A rule will be added to UNC stating that Shippers would be unable to place bids in certain auctions unless they have set bid parameters for Bid Price and Bid Volume.

The relevant auctions types are:

- Day ahead firm entry capacity

- Within day firm entry capacity

- Day Ahead interruptible capacity

- Day ahead firm exit (flat) capacity

- Within day firm exit (flat) capacity

- Day ahead off-peak capacity

Note: IP auctions are not included.

It is worth noting that this functionality already exists in the system for Users to use on a voluntary basis. Following acceptance and implementation of this modification proposal then this voluntary User-activated functionality would be switched to mandatory and bid parameters would be required for each individual auction type.

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If an attempt is made by a User to place a bid in a particular auction without bid parameters having been set or that exceeds the parameter set, then a system message will be displayed informing the User why they cannot proceed. In order to proceed with such a bid then the User can adjust the parameter(s) so that the bid sits within it, or they may also make use of an override function confirming they wish to continue with a bid that sits outside of the normal parameters they have set.

6   Impacts & Other Considerations

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

No.

Consumer Impacts

There is no direct impact upon Consumers. This proposal would provide risk assurance benefit to Users, which may in turn lead to lower long-term costs for consumers.

Cross Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

A ROM has been sought from Xoserve. The indicative costs for preventing bids unless the necessary parameters have been set are £24-35k.

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.	Positive

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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.	Positive
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.	None

Relevant objective d)

This proposal will minimise the risk of errors occurring in the process for running capacity auctions. Bids placed in error may inhibit the market from operating in accordance with the true intentions of market operatives. The results may therefore distort the market in some fashion, and the effective competition between shippers is negatively affected.

Relevant objective f)

In the event that a bid error needs to be corrected after the bid window shuts, then there will be disruptive error correction processes that place a large administrative burden on the system operator and may affect wider industry through mechanisms such as neutrality. Reducing the risk of bid errors occurring in the first place will also help ensure that the auction processes, all the way through to invoicing, run smoothly and uninterrupted.

8 Implementation

The implementation timescale will be confirmed if and when the modification proposal is approved. Indicative dates following discussion with Xoserve are that implementation will be Oct 2021 however no final decisions have been made at this time.

9 Legal Text

Text Commentary

The legal Text changes are minimal and are generally considered to be self-explanatory. Some Legal Text Commentary has been provided regarding new paragraph TPD B 1.21.1

It should be noted that the phrase 'type of auction' refers to the different methods of sale used on the Gemini system to sell capacity e.g. WDDSEC auction, DISEC auction etc.

The maximum eligible quantities defined in 1.21.1(a) and (b) also recognise that the system may allow a User to override any parameter they have set, at the time of placing a bid. Where a User makes use of such an option, then for the purposes of UNC the maximum eligible quantity(s) shall temporarily be adjusted up to the amount specified in the override bid. After this one bid has been placed then the maximum eligible quantities shall revert back to the original value(s) set by the User.

Text

See separate document detailing amendments to TPD Section B.

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10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply

- Refer this proposal to a Workgroup for assessment.

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