

**Gas  
Transmission**

**Introducing additional  
flexibility to change the NTS  
large price step for ascending  
clock auctions at IPs**

**NTSCMF**

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Ash Adams - Gas Market Change Delivery

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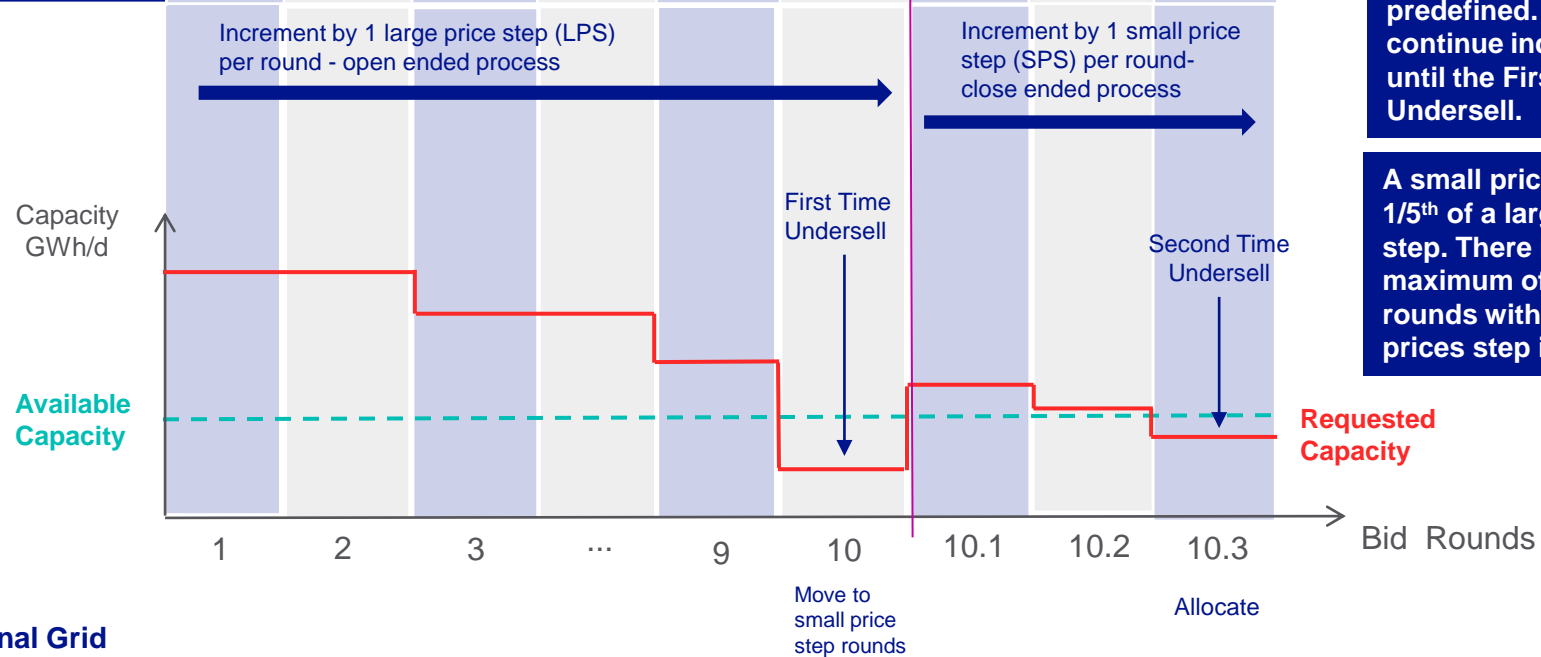


# Overview

- Long-term Auctions for IP Capacity are held as Ascending Clock Auctions where Capacity is bid for in a series of bidding rounds, with prices increasing by the large price step each round until the aggregate amount of IP Capacity bid for does not exceed the capacity available.
- UNC currently restricts the setting of the NTS large price step to the greater of 5% of the applicable Reserve Price and 0.0001 p/kWh/Day.
- Where there is high demand for capacity, the current arrangements may not be appropriate to create sufficiently quick price discovery resulting in auctions running for extended periods of time.
- This Proposal provides additional flexibility to adjust the percentage of the Reserve Price used to determine the NTS large price step in such circumstances.
- The change is designed to assist the successful close out of auctions in a timely manner ensuring that capacity is allocated when it has been bid for to the benefit of all parties involved.

# How Ascending Clock Auctions Work

<b>Bid Round</b>	1	2	3	...+1...	9	10	10.1	10.2	10.3
<b>Reserve</b>	1	1	1	1	1	1	1	1	1
<b>Large Price Step</b>	0	1	2	...+1...	8	9	8	8	8
<b>Small Price Step</b>	0	0	0	0	0	0	1	2	3



**Auctions run independently for each bundling partner.**

**The number of large price step rounds is not predefined. They continue indefinitely until the First Time Undersell.**

**A small price step = 1/5<sup>th</sup> of a large price step. There is a maximum of 5 bid rounds with small price step increments**

# Importance of appropriate Large Price Steps

- Capacity auctions are vital in enabling Users to obtain commercial rights to flow gas.
- Where there is high demand for capacity, it is important that large price steps are set to an appropriate level in order to facilitate a competitive gas market and ensure capacity can be allocated.
- CAM Regulations direct that large price steps should be determined in such a way as to seek to minimise, as far as reasonably possible, the length of the auction process.
- This Proposal will ensure that large price steps can always be set to an appropriate level and that NGG has the ability to comply with CAM in future with no conflict between CAM and UNC.
- The effect of an increase to the large price step is to reduce the number of bid rounds required for an auction to draw to a conclusion. It does not result in materially higher prices being paid for capacity by Users.

# Bacton Exit IP Rolling Monthly Bundled Auctions – Summer 22

Auction	Runtime	Start Price (h)	LPS	No Price Steps	GB LPS	Euro LPS	GB LPS (%)
<b>Rolling Monthly Bundled - BBL</b>							
March	01/04-01/05	0.1580	1.60	6.3	0.7849	0.8139	49.09
April	01/05-01/06	0.0771	3.27	44	0.7849	2.4872	23.99
May	01/06-01/07	0.1599	239.08	4.1	0.7596	238.3220	0.32
June	01/07-01/08	0.1605	240.18	10.1	0.7849	239.4000	0.33
July	01/08-01/09	0.1598	319.49	10.1	0.7849	318.7050	0.25
August	01/09-01/10	0.1542	318.44	8.1	0.7849	317.6559	0.25
<b>Rolling Monthly Bundled – INT</b>							
March	01/04-01/05	0.0638	1.86	0	0.7849	1.0747	42.21
April	01/05-01/06	0.0638	1.88	39	0.7849	1.1000	41.64
May	01/06-01/07	0.0638	120.00	2.1	0.7596	119.2400	0.63
September	01/10-01/11	0.0901	120.05	0.1	0.8110	119.2400	0.68
October	01/11-01/12	0.0900	215.00	0	0.7848	214.2200	0.37
November	01/12-01/01	0.0900	4.47	2	0.8110	3.6580	18.15

**\*Highlighted auctions terminated with no Capacity allocated**

# Bundled Auctions and Adjacent TSO Large Price Steps

- For Unbundled Auctions, the large price step is equal to the NTS large price. For Bundled Auctions the large price step is the sum of the NTS large price step, and a large price step determined by the adjacent TSO.
- Adjacent TSOs at Bacton increased their large price steps significantly helping to mitigate the immediate issue of Bundled auctions running for extended periods of time
- These actions have worked well over the summer months and a desire not to complicate these processes is reflected in the proposed solution.
- Additional flexibility is required for NGG to be able to change the NTS large price step for future auctions should the need arise, to bring NGG's arrangements in line with the adjacent TSOs at Bacton and remove the absolute reliance on adjacent TSOs to set the large price steps at an appropriate level.

# Solution

- An amendment is proposed to UNC TPD Section Y 2.9.2 to leave the default large price step as 5% of the reserve price or 0.0001p/kWh/d (whichever is higher) but introduce the ability, where it is considered beneficial, to change this percentage ahead of each auction if required, in line with agreed timescales.
- This solution would ensure the flexibility to change the large price step if required while also preventing additional complications with the processes of adjacent TSOs under normal circumstances.
- Should NGG deviate from the default arrangements, it would agree to publish:
  - The reasoning for changing the NTS large price step ahead of the relevant Ascending Clock Auction
  - An explanation of how the NTS large price step percentage was determined

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# Gas Transmission

## Appendix

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# Bacton Exit IP Quarterly Bundled Auction – Summer 22

Auction	Runtime	Start Price (h)	LPS	No Price Steps	GB LPS	Euro LPS	GB LPS (%)
<b>Quarterly Bundled - BBL</b>							
May	01.07.22-01.10.22	0.0891	107.21	29.1	2.3294	104.8850	2.17
August	01.04.23-01.07.23	0.1450	65.37	23.1	2.3806	62.9925	3.64
August	01.07.23-01.10.23	0.1450	65.40	24.1	2.4067	62.9925	3.68
November	01.04.23-01.07.23	0.1842	98.61	17.1	2.3544	96.2520	2.39
November	01.07.23-01.10.23	0.1863	98.63	25.1	2.3544	96.2781	2.39
<b>Quarterly Bundled – INT</b>							
May	01.07.22-01.10.22	0.0467	150.28	5.2	2.3294	147.9530	1.55
August	01.10.22-01.01.23	0.0645	182.91	0.3	2.4067	180.5000	1.32
August	01.01.23-01.04.23	0.0644	182.85	0	2.3544	180.5000	1.29
August	01.04.23-01.07.23	0.0645	182.88	1.5	2.3806	180.5000	1.30
August	01.07.23-01.10.23	0.0645	182.91	1.5	2.4067	180.5000	1.32
November	01.01.23-01.04.23	0.0644	146.41	0	2.3544	144.0600	1.61
November	01.04.23-01.07.23	0.0652	146.44	0	2.3544	144.0862	1.61
November	01.07.23-01.10.23	0.0659	146.47	0.1	2.3544	144.1123	1.61