

## **Mod 0163 Q & A**

### **Is the process only to cover surrendered capacity?**

No it's to cover both surrendered and unsold.

### **Is that not just giving another bite at the cherry?**

No because the price will still be based on price at auction. There is no incentive for people not to bid at auction and wait for this – including those who need capacity at the ASEP itself.

### **So what's the basis for the reserve price of this capacity?**

It will be the weighted average price paid at auction. The logic in this is that it is:

- Relatively simple to determine
- Won't significantly reward speculative behaviour
- Won't significantly financially disadvantage any capacity holder

### **Will people not just buy it to transfer it elsewhere?**

No, this is part of the trades and transfers process. Only capacity remaining after it has been offered up can be transferred away.

### **Is this mod not just adding to the complexity of the process?**

No. It's designed to address potential serious consequences made possible by speculative behaviour ahead of finalised arrangements at the last AMSEC auction.

In addition, the proposal is designed to be integral to the trades and transfer arrangements and won't be a stand-alone process.

It is anticipated that only small volumes of sold entry capacity will be affected.

### **What happens if, people choose not to release/hoarding possibilities?**

By ensuring that capacity not offered up for sale at the ASEP is not available for trades & transfers, the mod may discourage hoarding – it certainly will provide no financial incentive for it.

If they chose to keep a capacity holding at an ASEP where they do not wish to use it, then the associated interruptible rights will remain there.

Also, they will not be able to offer that capacity for use at other ASEPs.

Again, though – there is no financial incentive to withhold from the process, and to do so would be anti-competitive and potentially against the obligations in the gas shipper licence.

A party may still buy more capacity at an ASEP than is required but there would be no financial incentive to do so.

### **How does this mod relate to mod 0159?**

This Mod is completely separate. While the proposer supports Mod 0159 we believe this is different in impact and even more fundamental. Mod 0159 isn't yet agreed or implemented and wouldn't guarantee access rights in any event.

**Wouldn't interruptible rights be available anyway?**

No – these rights go with firm capacity.

**Surely security of supply is not affected if the rights go to another ASEP in the zone?**

Security of Supply is adversely affected. There is more inherent flexibility in the system having 2 sites with x and y capacity available than having one site with x + y – particularly if x or y is constrained for any reason.

**Surely everybody seeking to secure entry capacity could have done so in other auctions?**

For some types of site, booking capacity in the Monthly auctions is the most efficient way to behave.

Also, arrangements were not in place as to how the trades and transfers mechanism might work ahead of the previous long term auction.

**Is this not discriminatory?**

Not at all – it is designed to prevent unintended consequences of the existing arrangements.

In fact, using the WAP from the auctions means that it will not be discriminatory, whilst also not rewarding speculative behaviour.

It could easily be argued that allowing others to bid for capacity at entry points where they don't intend to use it is discriminatory against those who do.

In any event, there will be a "merit order" process already in place for dealing with bids.