Gas Transmission

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

Pre Mod - NTSCMF

1st November 2022
Ash Adams - Gas Market Change Delivery

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Background

- High demand for bundled capacity at Bacton (Exit) IP over the summer months has resulted in Ascending Clock auctions going above reserve prices and using large price steps.

- In some instances, the large price step was not large enough to create sufficiently quick price discovery at Bacton resulting in auctions running for extended periods of time.

- If the auction is still unresolved in time to set up the next auction covering the same capacity period it is closed manually and all bids are rejected with no capacity being allocated. This occurred twice in April.

- In response to increased competition for capacity, adjacent TSOs increased their large price steps significantly mitigating the immediate issue.

- Any increase to the large price step does not result in higher prices being paid for capacity, rather a quicker price discovery.

Why Change

- National Grid do not currently have the same flexibility as other TSOs to change the large price step and are bound by UNC to set it as the greater of 5% of the applicable Reserve Price and 0.0001 p/kWh/Day.

- CAM code states 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.

- It is important that large price steps are set at an appropriate level to prevent auctions timing out with no capacity allocated when capacity was bid for.

- Appropriate setting of large price steps also promotes efficiency in the capacity booking process.

- Changes to UNC are required to ensure future compliance with CAM and to remove the absolute reliance on adjacent TSOs to set the large price step at an appropriate level

- More flexibility would allow changes to the large price step for unbundled auctions (if there was a need) where we are unable to rely on an adjacent TSO to change it on our behalf.

Solution

- An amendment is proposed to UNC TPD Section Y 2.9.2 to allow the percentage of the reserve price used to determine the large price step to be flexed when appropriate.

- The proposal would leave the default large price step as 5% of the reserve price or 0.0001p/kWh/d (whichever is higher). It would introduce the ability, where it is considered beneficial for the auctions to successfully close allocating capacity, flexibility 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.

Next Steps

Based on Self-Governance:

- Consider pre Modification at NTSCMF 1st November 22

- Raised for initial consideration by the Modification Panel on 17th November 22

- Workgroups in December 22 and January 23 NTSCMF

- Consultation January/February 23

- Panel decision in February 23

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Appendix

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Appendix: How Ascending Clock Auctions Work

Bid Round	1	2	3	…+1…	9	10	10.1	10.2	10.3
Reserve	1	1	1	1	1	1	1	1	1
Large Price Step	0	1	2	…+1…	8	9	8	8	8
Small Price Step	0	0	0	0	0	0	1	2	3

Increment by 1 large price step (LPS) per round - open ended process

Increment by 1 small price step (SPS) per round- close ended process

Capacity GWh/d

First Time Undersell

Second Time Undersell

Available Capacity

Requested Capacity

Bid Rounds

1   2   3   …   9   10   10.1   10.2   10.3

Move to small price step rounds

Allocate

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 = 1/5th of a large price step. There is a maximum of 5 bid rounds with small prices step increments
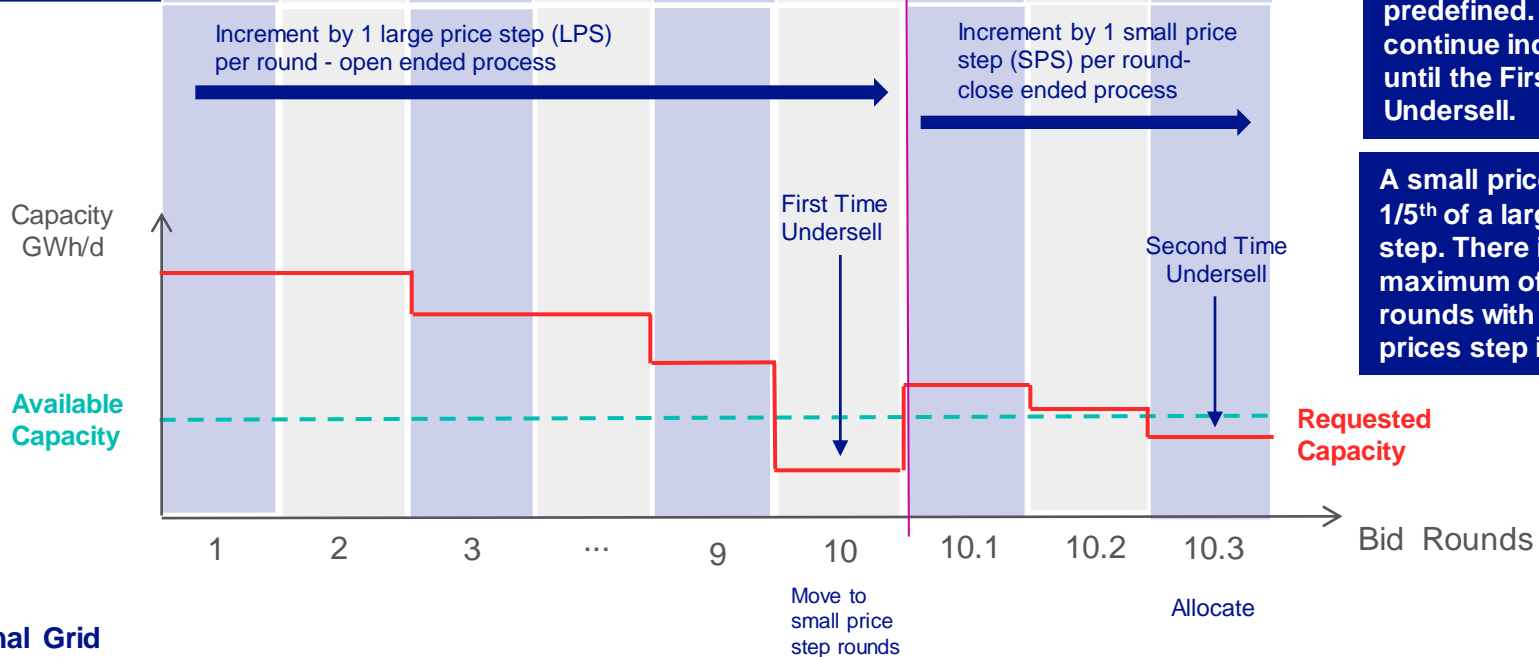
Appendix: PRISMA Bundled Monthly Auctions

Auction	Runtime	Start Price (h)	LPS	No Price Steps	GB LPS	Euro LPS	GB LPS (%)
Monthly Bundled - BBL							
March	01/04-01/05	0.1580	1.60	6.3	0.7596	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
Monthly Bundled – INT							
March	01/04-01/05	0.0637	1.8596	0	0.7596	1.0747	42.21
April	01/05-01/06	0.0637	1.8849	39	0.7849	1.1000	41.64
May	01/06-01/07	0.0637	120.00	2.1	0.7596	119.24	0.63
September	01/10-01/11	0.0901	120.05	0.1	0.7849	119.2660	0.65

*Highlighted auctions terminated with no Capacity allocated