

REVIEW GROUP - FLEXIBILITY BID RESTRICTIONS: 0036

FINAL REVIEW REPORT

1.0 Scope of Review Group

Under the Network Code there are restrictions on the number of flexibility bids which can be made. The Review Group needed to consider the following:

- 1 The implications of allowing Flexibility Bids to be made where flow rate changes are less than 0.05 MCM/day.
- 2 The implications of raising/lowering the number of Flexibility Bids for System Entry Buys or System Entry Sells from two where the flow rate changes are less than 0.5 MCM/Day.
- 3 The implications of restricting the number of Flexibility Bids for System Entry Buys or System Entry Sells where the flow rate changes are not less than 0.5 MCM/Day.
- 4 The implications of raising/lowering the number of System Exit Buys or System Exit Sells for Flexibility Eligible System Exit points.

In addition, the Terms of Reference were expanded in order to consider the following issue under Project Phoenix:

- Consideration of the efficiency and effectiveness of the Flexibility Mechanism including the associated information flows and relevant system modifications.

2.0 Work Undertaken

2.1 Flexibility Bid Restrictions

The Flexibility Bid Restrictions under the Network Code were agreed in order to alleviate concerns over processing large numbers of bids as part of routine system operations and the problems with monitoring changes in gas flow associated with small bids.

A paper was presented to the Review Group (Appendix A) detailing an assessment of the evaluation and monitoring difficulties associated with a large number of flexibility bids. The analysis is based on 1994 TIR changes and was initially presented as part of the 'Blue Book' package of Energy Balancing papers in March 1995.

At System Entry, the Group considered the continuing relevance of the Network Code restrictions with regard to Shipper participation and evaluation difficulties.

Information from the Phoenix Flexibility Survey was also used to support the discussions.

It was agreed that there were no immediate concerns that current Flexibility Mechanism liquidity was being affected by the current restrictions. The Phoenix survey eluded to a need for greater participation in the Flexibility Mechanism although there was no conclusive evidence that current restrictions were inappropriate.

At System Exit, a Network Code modification (0022) was agreed recently in order to address concerns about the earlier agreed restrictions. VLDMC Shippers were concerned that the true potential for System Exit flexibility gas was not being fully recognised. This modification raised the number of flexibility bids from one to four for System Exit Buys and System Exit Sells for VLDMC Supply Points.

2.2 Efficiency and Effectiveness of the Flexibility Mechanism

The Group produced a report for Project Phoenix examining the effectiveness and efficiency of the Flexibility Mechanism using the March to July 1996 operational data.

In brief, the conclusions were:

With the information available it was not possible to form any robust conclusions on the efficiency or effectiveness of the Flexibility Mechanism, other than that the number of bids was increasing, the number of shippers participating had increased slightly, and that there was a fair degree of consistency surrounding bid prices.

It could be argued that effectiveness was demonstrated by the fact that the mechanism had successfully balanced the system where used. Between March 1st '96 and 30th June '96, there have only been 6 occasions when the Flexibility Mechanism was not used to balance the system. Margins were consequently used in accordance with the balancing hierarchy within the Operational Guidelines.

It was thought that the benefits of the Mechanism with increased price realisation, should improve attendance and competitiveness under Phase 2 and should induce more shippers to participate and produce a more representative series of prices.

2.3 Information Flows

The Group considered the relevance and timeliness implications of the provision of linepack information to enable Shippers to more readily prepare for Flexibility Mechanism requirements.

Before taking bids from the UK-LINK balancing mechanism, System Control will need to consider: the magnitude of any imbalance, the current linepack stock and the rate of change in the linepack, any known profiles in supply or demand, pressures

within the grid system, plant availability, compressor operation, uncertainties in the information being received, and shipper responses to Demand Attribution.

It was disclosed that System Control may be able to supply data and this would only give a 'snapshot' reading of selected points. The data could be captured hourly but it is unlikely that transfer to shippers' premises could occur until approximately 30 minutes past the hour owing to the heavy communications traffic on the Network. The points of most significance will vary from day to day and probably within day as conditions change. It is therefore questionable as to the value of this information due to the snapshot timing and the level of interpretation required.

It was agreed that TransCo, Commercial Operations were to provide linepack information (target, current and forecast) at the Demand Attribution times for a trial period and report back to the Operational Guidelines Sub-Committee.

2.4 AT-Link Modifications

Discussions took place on the improvements which could be made to AT-Link in order to facilitate posting of Flexibility Bids. TransCo was asked to look at the impact of changing AT-Link functionality to facilitate the following:

- (i) Modify Flexibility Bids on AT-Link without the need to withdraw and re-submit.
- (ii) Allow posting of opposite flow bids prior to nominations scheduling on D- 1.
- (iii) Changes to the functionality which presently does not allow for Shipper updating of CV's for System Exit Flexibility Bids.

It was disclosed that any change to functionality would have a major impact on the current programme of AT-Link changes due for release in April '97 and October '97.

3 TransCo's Recommendation

This Review Group has fulfilled the requirements of the Terms of Reference. Further investigation of Flexibility Mechanism operation is to be undertaken by Review Group 0100; Review of the Flexibility Mechanism.