

0611:

Amendments to the firm capacity payable price at Interconnection Points



Proposer: Colin Hamilton

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Why change?



- New UNC rules are required to allow compliance with the new EU Tariff code.
- The EU Tariff code prohibits use of a fixed payable price approach for available firm capacity at IPs.
- For incremental release the EU Tariff code allows a mandatory minimum premium to be added to the reserve price to ensure the economic test can be passed.

Options



- The changes to the payable price at IPs shall be reflected in the GB network codes to provide clarity on how the EU wide process fits in with the existing GB commercial framework.
- In the event National Grid were to implement the Tariff rules without a corresponding UNC modification then there would be a lack of transparency and clarity around the process.
- National Grid shall also propose corresponding changes to capacity methodology statements as appropriate (however these must be as well as, not instead of the UNC modification).

Solution



- Rules governing the payable price for NTS Entry Capacity at IPs shall be aligned to that for the treatment for Exit capacity (i.e. the price shall be an administered price)
- Introduction of a Mandatory Minimum Premium (MMP) that may be added to the reserve price for incremental capacity where the reserve price on its own would fail to pass the economic test for incremental release.
- Clarification that the payable price for incremental capacity released through an alternative allocation mechanism shall be the reserve price plus the MMP (where applied)

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to self-governance because the proposal
 - Will change the payable price for capacity released at IPs in both the Annual Yearly auction and in any incremental release which may be appropriate for the Authority to consider.
 - May have a material effect on competition in the shipping and transportation of gas as well as the security of supply for GB.
 - Workgroup assessment to develop the modification for 3 months (Mar, Apr, May).