

## Representation - Draft Modification Report UNC 0745

### Mandatory Setting of Auction Bid Parameters

**Responses invited by: 5pm on 11 March 2021**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Malcolm Montgomery
<b>Organisation:</b>	National Grid NTS
<b>Date of Representation:</b>	11 <sup>th</sup> March 2021
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	d) Positive f) Positive

#### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

As proposer of this Modification, National Grids supports its implementation. National Grid has been informed by shippers about a number of auction bid errors that have occurred over calendar year 2020, resulting in a total financial error of approximately £3m. In response to this National Grid has explored ways in which these bid errors could be reduced or mitigated. The Gemini system already has functionality that allows bid validation parameters which could help achieve this aim, however nothing compels Users to use them, as they are voluntary. This modification would make it mandatory for Users to have set these system bid validation parameters to create a maximum allowed price and volume for any bids they submit into the daily NTS entry and exit capacity auctions. We believe this will be a positive step in helping to reduce the frequency and the impact of bid errors on specific Users and the wider market and therefore the proposal would further both Relevant Objective (d) and (f) as outlined in the Draft Modification report and as below.

#### Relevant objective d)

We believe this proposal will minimise the risk of errors occurring in the process for running capacity auctions. Bids placed in error may inhibit the market from operating in accordance with the true intentions of market operatives. The results may therefore distort the market in an arbitrary manner (e.g. auction allocations, clearing price, overrun price), and the effective competition between shippers is negatively affected.

#### Relevant objective f)

In the event that a bid error needs to be corrected after the bid window shuts, then on top of the issues identified under relevant objective d), there will also be disruptive error

correction processes that place a large administrative burden on the system operator and may affect wider industry through mechanisms such as neutrality. Reducing the risk of bid errors occurring in the first place will also help ensure that the auction processes, all the way through to invoicing, run smoothly and uninterrupted.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

As self-governance procedures are proposed for this modification, implementation could be sixteen business days following a decision to implement being taken, however, due to the system changes required this will not be possible. National Grid has provisionally agreed an implementation date of 1<sup>st</sup> October 2021 with Xoserve. This will give adequate time to plan in and allow the necessary system changes to take place, and allow time to inform Users of the change. Final confirmation of this date will be made nearer the time.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

National Grid will incur a one off implementation cost to amend the system. These costs have been estimated in the ROM provided by Xoserve to be between £24k and £35k.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have no further changes proposed to the legal text, and are satisfied with the version provided.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Confirm still Self-Governance*

This modification proposal, if implemented, should help reduce the frequency and size of bid errors occurring. We do not believe that the volume of bid errors currently occurring are material enough that it will have a significant impact upon the market going forwards, rather we see this as an opportunity to provide further incremental improvement to the functioning of the market. Self-governance is therefore the appropriate route for this modification.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

Versions 2 onwards of the modification proposal also identified a positive impact upon relevant objective d) as well as relevant objective f). The reason given has been captured within the WG report however the table itself in section 7 lists 'none' rather than 'positive' against relevant objective d).

**Please provide below any additional analysis or information to support your representation**

Nothing further to add to the information and analysis already provided in the DMR.