

Variation Request

Modification 0230A: “Amendment to the QSEC and AMSEC Auction Timetables”

Date: 14/01/2009

The Proposer, E.ON UK, requests a variation to this proposal, pursuant to UNC Modification Rules Section 6.5.1 (c) of the UNC.

Reason for Variation

Following the recent round of consultation for Modification Proposals 230 & 230A, a number of new issues were raised, which the Modification Panel decided required further consideration by the Transmission Workstream. Following discussion at the January Workstream, E.ON UK has acknowledged that some of these issues could not be overcome without the need to vary the Modification Proposal. If the proposal were not varied, it is unlikely that implementation would be possible.

We would submit that this variation is likely to be considered material and in our view may have changed the nature of some responses. It is, therefore, recommended that a further consultation is conducted.

Nature of Variation

For clarity, this proposal has been varied in-line with National Grid’s suggested ‘Option One’, as discussed at the January 2009 Transmission Workstream. (<http://www.gasgovernance.com/NR/rdonlyres/3D56D098-E60F-4A1B-A788-9DBC2C89CFA0/30978/Mod230janworkstream.ppt>)

Specific amendments:

National Grid NTS highlighted in its consultation response that, in its view, the proposal could not have implemented because of two issues:

“It is proposed that modification 0230A be implemented on 1 March 2010 in order to facilitate a March 2010 QSEC auction. UNC section B2.2.1(d) requires that National Grid NTS issue an invitation letter 28 days before the QSEC auction. National Grid NTS would not have the authority under the UNC to issue an invite 28 days before a March auction if proposal 0230A were not implemented until March 1st.”

(Source: National Grid NTS consultation response to Modification Proposal 230A)

To address this issue, the proposal has been varied by changing the proposed implementation date from 01/03/2010 to 01/01/2010. This will enable National Grid NTS to send out the appropriate invitation letter for the February 2010 AMSEC auction & March 2010 QSEC auction. If necessary, the legal text could also be placed in the UNC Transitional Rules Document to enable the applicable invitation letter to be issued prior to any future implementation date (if implemented).

“UNC section B2.2.3(b) requires National Grid NTS, when issuing an invitation letter for the QSEC auction, to include in that letter the amount of unsold capacity available

that will be offered in that auction. National Grid NTS would not be able to do this 28 days before the proposed March 2010 QSEC as the proposed February 2009 AMSEC auction would not have concluded and therefore the unsold amount would be unknown as the transaction periods overlap (October 2011 – March 2012).”

(Source: National Grid NTS consultation response to Modification Proposal 230A).

To address this issue, the proposal has been varied to retain on an enduring basis, a February AMSEC auction (previously proposed a June AMSEC, as per Mod 230). It is still proposed to move the QSEC auction to March on a permanent basis. To avoid the problem of unsold amounts of capacity from a February AMSEC auction not being available in a March QSEC auction, the proposal has been varied to shorten the transaction period (i.e. the periods of capacity which are to be made available in the auction) of the AMSEC auction from 2 years to 18 months. This removes the existing transaction period overlap between AMSEC and QSEC auctions and thereby also addresses a potential pricing issue which was raised by one respondent, whereby capacity for the same period is offered in two auctions at two different prices. Effectively, this means that where the transaction period for the AMSEC auction ends, the transaction period for the QSEC auction would begin; without overlap.

Finally, although it is still proposed to change the UNC definition of ‘Capacity Year’ from ‘April – March’ to ‘October – September’, in order to continue to facilitate the release of capacity which was bought in a February AMSEC auction from April onwards, additional changes to the original proposal have been required. Currently, UNC states that the AMSEC auction shall release capacity for Y+1 and Y+2. A change to Code is required to state that the AMSEC auction shall release capacity for April - September (inclusive) in Y and for every month in Y+1. As an example, for the February 2010 AMSEC this would release capacity from April 2010 until September 2011.

Proposer's Representative

Richard Fairholme (E.ON UK)

Proposer

E.ON UK