

0546S:

Reduction of the Minimum Eligible Quantity (100,000kWh) for European IP capacity

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This modification seeks to support the potential for capacity bundling at Interconnection Points (IPs) by reducing the minimum eligible quantity applicable for capacity bids and surrender offers.



Responses invited by 10 September 2015.











High Impact: - None



Medium Impact: - None



Low Impact: Shippers and National Grid NTS

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| About this document: | |  01926 655893 | | | | | | | | | | | | |
| <p>This Draft Modification Report is issued for consultation responses, at the request of the Panel on 20 August 2015. All parties are invited to consider whether they wish to submit views regarding this self-governance modification.</p> <p>The close-out date for responses is 10 September 2015, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at www.gasgovernance.co.uk/0546</p> <p>The Panel will consider the responses and agree whether or not this self-governance modification should be made.</p> | | Systems Provider: Xoserve | | | | | | | | | | | | |
| <p>The Workgroup recommends the following timetable:</p> <table border="1"> <tbody> <tr> <td>Initial consideration by Workgroup</td> <td>06 August 2015</td> </tr> <tr> <td>Workgroup Report presented to Panel</td> <td>20 August 2015</td> </tr> <tr> <td>Draft Modification Report issued for consultation</td> <td>20 August 2015</td> </tr> <tr> <td>Consultation Close-out for representations</td> <td>10 September 2015</td> </tr> <tr> <td>Final Modification Report published for Panel</td> <td>14 September 2015</td> </tr> <tr> <td>UNC Modification Panel decision</td> <td>17 September 2015</td> </tr> </tbody> </table> | | Initial consideration by Workgroup | 06 August 2015 | Workgroup Report presented to Panel | 20 August 2015 | Draft Modification Report issued for consultation | 20 August 2015 | Consultation Close-out for representations | 10 September 2015 | Final Modification Report published for Panel | 14 September 2015 | UNC Modification Panel decision | 17 September 2015 |  commercial.enquiries@xoserve.com |
| Initial consideration by Workgroup | 06 August 2015 | | | | | | | | | | | | | |
| Workgroup Report presented to Panel | 20 August 2015 | | | | | | | | | | | | | |
| Draft Modification Report issued for consultation | 20 August 2015 | | | | | | | | | | | | | |
| Consultation Close-out for representations | 10 September 2015 | | | | | | | | | | | | | |
| Final Modification Report published for Panel | 14 September 2015 | | | | | | | | | | | | | |
| UNC Modification Panel decision | 17 September 2015 | | | | | | | | | | | | | |

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because the change proposed is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes and is unlikely to discriminate between different classes of parties to the Uniform Network Code/relevant gas transporters, gas shippers or DN operators.

Is this a Fast Track Self-Governance Modification?

Fast Track Self -Governance is not proposed because this modification does not satisfy the criteria set out for such a proposal as it is not properly a house keeping change.

Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013, otherwise known as the code on Capacity Allocation Mechanisms (CAM)) to harmonise transparent and non-discriminatory access to transmission capacity at applicable Interconnection Points (IPs) across the European Union. CAM introduces requirements for firm capacity bundling at IPs. The European Interconnection Document (EID) was introduced by Modifications 0493 and 0500 (both of which were implemented with effect from 06:00 on 19 June 2015). IP Capacity transactions are subject to the definition of "Minimum Eligible Quantity" as defined in EID and are not currently permitted below 100,000 kWh/day (or the equivalent in kWh/hour).

Reducing the minimum quantity permitted would further support the potential for firm capacity bundling at EU IPs and consequently supporting the principle of cooperation with adjacent TSOs. It will also assist parties, particularly those at the Moffat IP to Northern Ireland and the Republic of Ireland, whose market downstream is small in comparison to mainland GB and who have offtakes that flow less than the current 100,000 kWh minimum. This will be of particular benefit to Capacity offered by TSOs as bundled on both sides of the IP.

Solution

It is proposed to amend the UNC EID Section B 2.1.4 (h), to reduce the Minimum Eligible Quantity of IP Capacity (both Entry and Exit) for which certain capacity transactions can be made from 100,000 kWh to 1 kWh.

For those operating in kWh/d the minimum would be 1 kWh/d (day)

For those operating in kWh/h the minimum would be 1 kWh/h (hour)

For clarity this modification is only proposed to apply at EU IPs and not at any other GB ASEP or NTS Exit Points.

Relevant Objectives

Implementation of the modification would better facilitate achievement of the following relative objective:

g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators.

Implementation

As self-governance procedures are proposed and in line with these procedures, implementation could be 16 days after a Modification Panel decision to implement.

No implementation costs are envisaged for any party.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact identified.

2 Why Change?

On 14 October 2013 the European Commission adopted rules (EU Regulation 984/2013) establishing a Network Code on CAM in Gas Transmission Systems. Modification 0500 was introduced to comply with Commission Regulation (EU) No 984/2013 (Capacity Allocation Mechanisms) and continued compliance with Annex 1 to regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks with regard to the Congestion Management Procedures. Modification 0500 was approved by Ofgem in June 2015 following extensive Industry development and consultation. Recently some Industry parties have requested that the Minimum Eligible Quantity at EU IPs be reduced. Adjacent TSOs at the Moffat IP, Premier Transmission Ltd (PTL) and Gas Networks Ireland (GNI), have highlighted (via their shippers) an issue whereby due to offtakes from their systems which are less than the current minimum eligible quantity on the GB side, that this would have a detrimental impact on the Irish market when implemented via CAM (Modification 0500) in November 2015.

Furthermore CAM creates bundling rules for firm capacity at EU IP Entry and Exit Points. To support the principles behind the bundling of capacity and the principle of cooperation with adjacent TSOs, it is proposed to reduce the Minimum Eligible Quantity of a capacity bid or surrender offer.

The Minimum Eligible Quantity for certain capacity transactions will be reduced to 1 kWh at EU Interconnection Points (IPs). Some interested parties have indicated that the current threshold of 100,000 kWh would be a barrier to them booking capacity across the IPs under the new EU CAM Regulation.

3 Solution

In relation to Interconnection Points, EID Section B 2.1.4 (h) states that capacity bids (*EID Section B 4.5.4 (a) & 5.5.4 (a)*) and surrender offers (*EID Section B 7.2.2 (d)*) entered on PRISMA are not permitted below a Minimum Eligible Quantity of 100,000 kWh/d (or the equivalent in kWh/hour). This Modification proposes to reduce the Minimum Eligible Quantity to 1 kWh.

If implemented Users would be able to bid for NTS Entry and Exit Capacity or offer to surrender NTS Entry and Exit Capacity at EU IPs in an amount less than the current 100,000 kWh/day.

For those operating in kWh/d the minimum would be 1 kWh/d (day)

For those operating in kWh/h the minimum would be 1 kWh/h (hour)

For clarity this modification only applies at EU IPs and not at any other GB ASEP or NTS Exit Points.

| User Pays | |
|--|---|
| Classification of the modification as User Pays, or not, and the justification for such classification. | No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification. |
| Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view. | Not applicable |
| Proposed charge(s) for application of User Pays charges to Shippers. | Not applicable |
| Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve. | Not applicable |

4 Relevant Objectives

| Impact of the modification on the Relevant Objectives: | |
|--|-------------------|
| Relevant Objective | Identified impact |
| a) Efficient and economic operation of the pipe-line system. | None |
| b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. | None |
| c) Efficient discharge of the licensee's obligations. | Not applicable |
| d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | Not applicable |
| e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers. | Not applicable |
| f) Promotion of efficiency in the implementation and administration of the Code. | Not applicable |

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|--|----------|
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. | Positive |
|--|----------|

This modification will ensure that the UNC takes account of compliance with the CAM Code and therefore better facilitates relevant objective g). This is because it enhances co-operation between TSOs; in particular it facilitates the potential of offering bundled capacity down to 1 kWh per day or hour as appropriate.

5 Implementation

National Grid NTS currently understands that the September 2015 planned release of Gemini for EU changes will cater for this change.

National Grid NTS currently also understands that the new PRISMA release for EU changes will cater for this change.

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

The implementation of this modification would have no impact on the implementation of other changes associated with the adoption of European Codes.

7 Legal Text

The following text has been prepared by National Grid NTS, and no issues were raised by the Workgroup regarding its content. Due to the simplicity of the change, no Commentary is required.

EID Section B2.1.4(h)

- (h) the minimum eligible quantity (the smallest amount of Interconnection Point Capacity for which certain capacity transactions may be made) ~~is 100,000 kWh/Day (or the equivalent in kWh/hour), in relation to an Interconnection Point at which (in accordance with paragraph 1.3.3) amounts of Interconnection Point Capacity are expressed:~~
 - (i) _____ in kWh/Day, is 1 kWh/day;
 - (ii) _____ in kWh/hour, is 1 kWh/hour;

8 Recommendation

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this self-governance modification.