



August 2020

# **Pre-Mod discussion**

*Transfer of Entry Capacity to an ASEP where obligated entry capacity remains unsold*

# About Water Wye Associates



**Waters Wye Associates (WWA) is a dynamic, independent energy consultancy specialising in the economic, regulatory and technical etc.**

- WWA is an independent energy consultancy, formed in 2002, focusing on the economic, regulatory and technical aspects of the UK electricity, gas and renewable markets. We are commercially driven and work in parallel with our clients to understand and deliver their business needs.
- Our mission is to deliver tangible benefits to our clients in all projects we undertake.

# Outline of proposal

## Main features



**Entry Capacity Trade & Transfer Methodology only allows for capacity to be moved from one ASEP to another ASEP where all obligated entry capacity (at the recipient ASEP) has been sold**

**Proposal is to permit, in specific circumstances, for capacity to be moved from one ASEP to another ASEP where all obligated entry capacity (at the recipient ASEP) has not been sold**

- Limited to a donor non-IP ASEP where **all entry capacity** held by all Users is requested to be transferred to one or more donor non-IP ASEPs
- Transfers will only be permitted where the exchange rate is less than X:1 (tbd)
- The transfer volume is limited to the volume of unsold obligated entry capacity at the recipient ASEP (otherwise existing Trade & Transfer rules will apply)
- Where capacity at the donor ASEP is classified as Existing Contracted Capacity, this status will be maintained following transfer

# Outline of proposal

## Justification

Why entry capacity may be wished to be transferred:

- Entry capacity will have been, or will be acquired to ensure access to the NTS for potential new projects
  - Such projects have been or could be discontinued
- Entry capacity may exist at ASEPs where the connected supply project has been discontinued
- In both circumstances, entry capacity is maintained and paid for without any prospect of being used
  - Users incurring costs for a service they are unable to use
  - NGG receiving revenue for a service it is aware cannot/will not be used
  - Capacity is effectively sterilised and cannot be used to support supplies elsewhere in the network
    - NGG is required to satisfy obligated levels of capacity
  - Inability to transfer capacity will inhibit new projects connecting to the NTS where capacity is required to be bought in advance for an extended period
  - Discourages payment default and “voluntary” termination following which total cost of capacity is socialised across all Users

# EU compliance

## EU CAM & EU TAR



**EU CAM Code requires capacity must be allocated at IP ASEPs in accordance with the CAM Allocation Methodology. As with the existing Trade & Transfer process, this proposal for transferring capacity will not apply at IPs**

- EU TAR concerns the pricing of capacity products and does not consider volumes
- UNC 0678A Postage Stamp is based on aggregate capacity volumes (FCCs) for determining prices
  - Volumes will need to be amended to reflect transfer of Existing Capacity
- Treatment of Existing Capacity
  - Art. 35 does not preclude the transfer of capacity between ASEPs as no consideration is given to location or User holdings
  - Changes will need to be made to definition of Existing Registered Holdings in the UNC to permit transfer of Existing Rights

# Our leadership team



*Lisa Waters*

*Founding Director*

Lisa is an economist with over 20 years' experience in the energy sector. She has worked for the Energy Intensive Users Group (EIUG), independent gas supplier V-is-on gas and Dynegy. Prior to entering the energy sector, Lisa worked at the CBI. Lisa leads on electricity sector work, though she also has a detailed knowledge of the UK gas market.

Lisa is currently an industry expert on the Imbalance Settlement Group under the BSC. She has significant lobbying experience, including giving evidence to Select Committees in the Commons and Lords, and representing EU gas customers at the Commission's Regulatory Forum meetings.



*Nick Wye*

*Founding Director*

Nick is an economist with over 20 years' experience in the energy sector. Earlier in his career, he has worked for TotalFinaElf Gas and Power, a gas producer, a trader, a supplier, an independent pipeline owner/operator and has experience of working at all levels of the supply chain including offshore projects, gas shipping issues and end user supply. He has also been involved in asset deals, both in the power and gas markets, in the UK and continental Europe.

His work on the boards of several European trade associations and committees has given him an in-depth knowledge of most European markets. Despite his knowledge of the power sector, Nick leads on gas market projects and has considerable expertise in gas storage.



*Gareth Evans*

*Director*

Gareth is an astrophysicist with over 15 years' experience in the energy and financial sectors. He began his career at Elexon, working subsequently for Total Gas & Power and UBS, where he helped to inaugurate its European power and gas trading, overcoming the associated regulatory and compliance issues.

As a result he has direct knowledge of the entire supply chain for both UK and European power and gas markets, plus experience of dealing with all their relevant stakeholders, including regulators, suppliers, shippers, generators/producers and European bodies.

Gareth Evans is chair of ICoSS, which is the trade body for independent non-domestic retail energy suppliers.

# How to contact Waters Wye Associates

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