Waters Wye Associates

April 2022

UNC 0805S Weekly NTS Capacity auctions

AOB: Transmission Workgroup - April

Nick Wye

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.

Why a weekly auction?
Customer confidence

NTS Entry Capacity weekly auctions will be implemented from (April) 2022 following approval of UNC 0752S

- The justification for UNC 0752S was:
  - A desire not to rely on the release of Daily System Entry Capacity because of potential constraints
  - A desire to acquire capacity ahead of the Day for planning purposes

The same justifications can be applied to NTS offtakers. In particular:

- Certain Users need confidence ahead of the day that they will be able operate their facilities to optimise commercial positions.
- Reduce administrative costs and potential booking errors when managing daily booking processes

Developing a Weekly Product
Closer to the day release

- Unlike Entry Capacity where there are numerous “term” capacity contracts, Exit Capacity can only be acquired on an annual or daily basis
  - Due to monthly products, UNC 0752S stipulates that weekly auctions will take place on D-10

- Proposed Weekly Exit Capacity process
  - Auction held on D-5 (where D is the first day of the week)
  - Allocations on D-4

- Note no impacts on Exit Daily Auctions as allocations occur on D-1

- As with Entry, the amount offered in the weekly Exit auctions would include unsold Exit Capacity plus any incremental capacity

Exit capacity bookings
Overview

Low bookings of annual capacity and reducing enduring bookings at Direct Connects

- Little expectation that DNs will move away from annual holdings
- At Direct Connects higher likelihood that some daily bookings will convert to weekly
  - Will have a positive impact on collected revenues and subsequent capacity reserve prices
- Even if some annual bookings convert to weekly, there would be an immaterial impact on prices
  - E.g. if all annual bookings moved to weekly and booked 50% of weeks, revenue impact would be @£2m or 0.5% of total revenue
- Enduring bookings unlikely to move to weekly, as they tend to be strategic
  - Note that enduring bookings have fallen by nearly 43% this Gas Year at Direct Connects as customers will have paid closer attention to capacity costs
  - At the same time contribution to allowed revenue has almost halved this year from 12% to 7%

1st Oct 2020 - 30th Sep 2021	kWh	mcm	revenue (£)	% of total revenue
Annual capacity bookings (excluding GDNs & IPs)	19,769,799,775	1,797	3,914,420	0.95
Enduring capacity bookings (excluding GDNs)	257,049,006,251	23,368	45.746.878	12.36
Long term capacity bookings (Annual + Enduring)	1,853,067,662,826	168,461	361,758,520	n/a
Short term capacity bookings	226,571,753,149	20,597	39,030,959	10.89
Total	2,079,639,415,975		400,789,478	

1st Oct 2021 – to date	kWh	mcm	revenue (£)	% change revenue	% of total revenue*
Annual capacity bookings (excluding GDNs & IPs)	18,249,067,806	1,659	3,840,032	- 1.9	1.02
Enduring capacity bookings (excluding GDNs)	166094916737	15,100	26.162.145	- 42.8	6.99
Long term capacity bookings (Annual + Enduring)	1,819,855,888,605	165,441	374,153,553	+3.43	
* Revenue 2021/22 = £374,085,157 from 2021/22 Tx Charging Model					

How to contact
Waters Wye Associates

13 Thornton Hill | London | SW19 4HU

email: info@waterswye.co.uk