

OCUCs or Shorthaul in Belgium



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Definition of an OCUC

Definition Fluxys Belgium: “**OCUC**” or “**Operational Capacity Usage Commitment**” shall mean an operational agreement between the Network User and the TSO in the framework of **proactive congestion management**, consisting of a commitment on the combined use of a given Entry Service at an Interconnection Point with a given Exit Service at another Interconnection Point, **to avoid a potential congestion** in the Transmission Grid, and without access to the market based balancing model nor to ZTP Notional Trading Services, as provided for in the Access Code for Transmission.



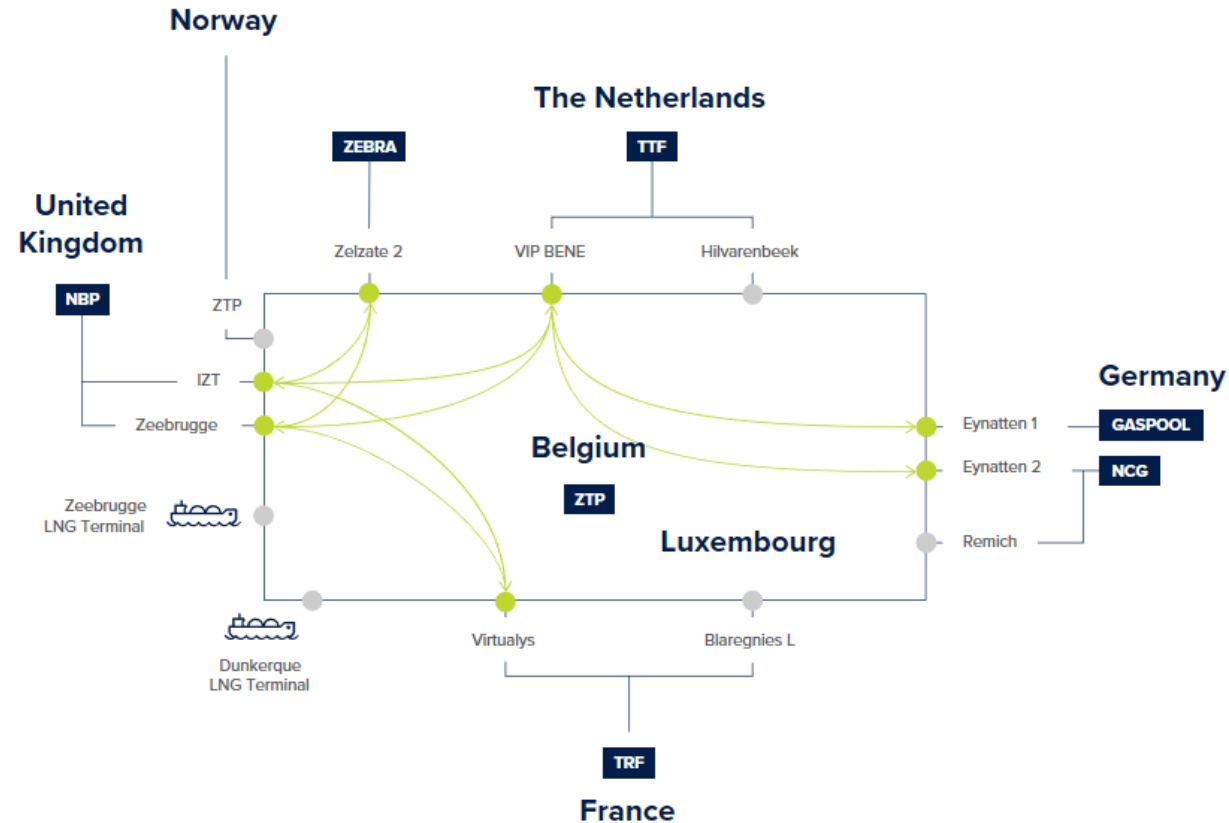
Regulatory Background

- As part of the transition to an Entry/Exit system, Fluxys Belgium introduced OCUCs to offer a 'point to point' solution which matched utilisation patterns of the Fluxys Belgium network. This mechanism was approved by CREG and ACER.
 - Fluxys Belgium is able to maximise the capacity made available elsewhere on the network, improving network accessibility.
 - OCUC services free up transportation capacity hence preventing heavy and costly investments in new capacity i.e. reducing the opportunity for an inefficient bypass of the national transmission system.
 - OCUC's provide a tariff reduction which (corresponding to the restrictive conditions of service) make flows between cross-border hubs attractive, thus contributing to an increase in the liquidity, depth and "churn rate" of said hubs.
 - Offered via a two step process - Standard Exit and Entry Capacity is offered at the reserve price with the option to enter an operational agreement with Fluxys Belgium to then convert this capacity to a Point to Point Service (OCUCs)
 - OCUCs are classified as transmission services and the tariffs are set in accordance with Article 4(2) of the TAR NC, which allows the consideration of special conditions



OCUCs or Shorthaul – Commercial setup

- OCUCs offer a direct route between two points
- Provide a discounted route compared to booking separate entry and exit capacity
- OCUC routes are predefined by Fluxys Belgium. A shipper can book capacity on multiple OCUC routes.
- Discount against capacity booking rather than against actual flows
- Shippers need to have secured the capacity in the PRISMA auction for each IP (*any product duration apart from WD*)
- Within 15 days of purchasing these capacities, Shippers can use PRISMA to convert the entry and exit capacities into an OCUC service. This has to be done at least 2 hours prior to the start of the service
- Only applicable on new primary capacity purchases but discount is carried across on assigned capacity



Potential tie ins for the UK

Most short haul routes are for access specific points on the network, for example power stations, export pipelines like IUK, therefore shippers are not looking for full flexible access to the network

Under the new regime proposals, the shorthaul distance will be reduced, therefore an OCUC type set up would allow shippers to book the route from A to B with minimal use of the network

This model would provide insights into network demand and enable more efficient purchasing of capacity

- OCUCs offer more flexibility for the shipper i.e. multiple routes permitted which would avoid duplication of licenses (which we see at the moment)

For National Grid, this would help with demand planning and forecasting, as shippers would not be booking open ended Entry/Exit



Comparison of Mod 718 proposal to OCUC (i)

Feature	Mod 718 - NGG	OCUC	Comment
Distance	18km <i>*UNC 718B asks for 28km</i>	Point to Point	Routes set by the TSO; This could be done based on NTS network configuration or based on max. distance.
Discount	Max 90% Min 10% Distance/offtake formula <i>*UNC718A/B ask for SO discount of 80 & 69 resp.</i>	Between 25-45% discount (route/direction specific) vs E/E.	Each OCUC has its own regulated tariff, which is distance based. This could be adapted to a 90% or 100% discount for short distances.
Eligibility of points	IPs and LNG	IPs and LNG	
Class of capacity	Firm only	Firm only	
Discount	Applied to capacity reserve price but only against utilised capacity <i>*UNC 718C asks for capacity only discount</i>	Applied to capacity reserve price regardless of utilisation	Booking decision \neq flow decision. A discount based on utilisation will render the product less interesting as it complicates costing for shipper. (as recognised in UNC 718C) If capacity based: price certainty, cost known upfront; Positive for NGG re. flow planning
Secondary Trading	Secondary trades will not be considered for discount	OCUC capacity can be traded onwards, discount maintained	<ul style="list-style-type: none"> - Assignments of capacity: contract is assigned; discount is maintained - Transfer of capacity: discount remains with transferor; so could be billed this way to the transferee is desired.



Comparison of Mod 718 proposal to OCUC (ii)

Feature	Mod 718 - NGG	OCUC	Comment
Number of potential routes	One nominated entry point at any given time per legal entity. Can change, but cannot revert to original within GY	No limitation on number of OCUCs per shipper.	Restrictions reduce market efficiency and shippers will find ways around it (multiple entities, swaps etc).
Discount across Points	One Entry Point may be linked to multiple Exit Points but discount will be shared across the Exit Point capacity/flows	Point to Point so new booking required for each route	OCUC: booking per route NGG; Only one Entry booking required (sum of anticipated volumes?), capacity can then be shared across two exit points – however, discount is then shared, so overall left in a worse position commercially than via an OCUC.
Volume restrictions	No volume restriction, but discount is only applied to an Eligible Quantity	Shipper books E/E capacity and converts to OCUC so volume only limited by available capacity	NGG; unclear whether shipper can top up their booking? OCUC; Shipper can continuously purchase E/E capacity and convert to OCUC capacity if they so wish. Flexibility remains with the Shipper
Product duration restrictions	None	Any product duration, apart from WD (DA-M-Q-A)	
How to purchase	Apply for a nominated route to NGG directly. Eligible Quantity calculated	Via PRISMA – purchase of the Entry capacity + Exit capacity. Shipper given 15 days to convert Fluxys Belgium sections into OCUC. Deadline is 2 hours before nomination	



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