

# GCD04 Entry Capacity Discounts – Consultation Summary

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Gas TCMF

6<sup>th</sup> September 2007

# Background

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- ◆ Obligated NTS Entry capacity available in long term and short term entry auctions
  - ◆ 10% held back for short term (<18 months ahead)
  - ◆ reserve price discounts for daily firm
- ◆ Zero reserve price (100% discount) on the day consistent with National Grid NTS Licence obligation to hold a clearing auction
- ◆ Interruptible capacity available
  - ◆ UNC defined UIOLI basis (Previous 30 day unused firm)
  - ◆ 100% reserve price discount
- ◆ Are the Entry Capacity Discounts still appropriate?

# Discussion Paper

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- ◆ NTS Gas Charging Methodology Discussion Paper NTS GCM 04: “Revisions to NTS Capacity Reserve Price Discounts”
  - ◆ Issued 11<sup>th</sup> May 2007
  - ◆ Closed out 21<sup>st</sup> June 2007.
  - ◆ Extended to 23<sup>rd</sup> August 2007 [No further responses]

# Questions for Discussion

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1. Principle that in the absence of competition discounts should not apply?
2. Principle that in the absence of material likelihood of interruption, interruptible discounts should not apply?
3. Impact on Secondary trading?
4. Requirement for clearance of obligated capacity?
5. Should day ahead discounts be removed, removed conditionally or retained?
6. Should within day discounts be removed, removed conditionally or retained?
7. Should interruptible discounts be removed conditionally or retained?
8. Impact on TO Commodity?
9. Timing of future proposals?

# Subsequent Changes

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- ◆ **GCM01 Implemented**
  - ◆ Transportation Model based prices should recover greater proportion of TO allowed revenue
- ◆ **Reduction (And subsequent review) of Baselines**
  - ◆ Incentive to procure in long/medium term auctions
- ◆ **Transfer/Trading/Substitution**
  - ◆ Increased risk associated with leaving capacity procurement until day-ahead.
- ◆ **Outcome of AMSEC auction**
  - ◆ TO Commodity charge to be reset to minimal/zero level from 1<sup>st</sup> October 2007 as a consequence of revenue implied by the AMSEC auction

# Industry Views

Respondent	Stance	Views
Total E&P UK Plc	REMOVE: Support conditional removal of discounts	<p>“shippers at certain entry points buy substantial amounts of capacity on the day-ahead and within day auctions, forcing NG to apply ever increasing TO Commodity Charges to compensate for the under-recovery”</p> <p>“in the absence of material likelihood of interruption, NTS interruptible capacity should not be auctioned at zero reserve price.”</p>
EDF Energy	REMOVE: Support removal of discounts	<p>“encourage Users to book long term capacity, and encourage the development of a secondary market for trading capacity.”</p> <p>Removal of discounts “may expose NGG to over recover ”</p>
Statoil UK	COMMENTS:	<p>“believes that it may be better to consider this issue once the effects of the current changes to the entry capacity regime can be demonstrated.”</p>
RWE npower	RETAIN: Support retaining discounts	<p>“still believe that the availability of firm and interruptible entry capacity close to the gas day is an important feature of the current regime”</p> <p>“ the wider changes proposed to the regime will go a considerable way to addressing many of the concerns highlighted in the discussion document. ”</p>
E.On UK plc	RETAIN: Support retaining discounts	<p>“do not agree that discounted reserve prices are encouraging shippers to avoid procuring entry capacity in the long-term auctions”</p> <p>“question whether there is really any need to encourage secondary trading at an ASEP when there is a surplus of primary capacity.”</p>

# Summary

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- ◆ Consider
  - ◆ Revised baselines, Substitution, Transfers & Trades might incentivise greater participation in QSEC/AMSEC auctions hence minimising impact of DSEC discounts
  - ◆ AMSEC implied revenue will result in zero TO Commodity Charges
- ◆ Propose
  - ◆ Consider changes for October 2008