

## **Update Tariff Framework Guidelines**

### **DECC/OFGEM Stakeholder meeting**

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24/06/2013

ofgem

# Where we are now?

- A brief recap:
  - ~80% of the text provisionally agreed: Reserve price vis a vis short term/interruptible. Recovering allowed revenue. Sharing revenue. Price paid
  - Key outstanding issue basis of this update: **cost allocation methodologies.**

# Cost Allocation Methodologies

- Four agreed:
  1. Postage Stamp
  2. Virtual Point Based Approach
  3. Matrix
  4. Capacity Weighted by Distance Approach
- Secondary steps: Scale-ups; Equalisation ; Benchmarking.
- Entry : Exit split
- The Test

# What it means for GB?

1. NGG methodology, the DVP, will be captured: meets criteria of an effective methodology – locational signals captured, non-discriminatory etc.
2. The suitability of a methodology to specific objective criteria currently limited and the debate complex.
3. Much discussion remains around the e/e split referred to below.

# Next Steps - Process

Date	Stage
Jul – Sept	Consultation on Tariffs Framework Guideline
September	Stakeholder Workshop
30 November 2013	Deadline for Commission

# Questions?

**Ofgem is the Office of Gas and Electricity Markets.**

**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**

# **CMP Implementation**



DECC – Ofgem Stakeholder Group for Gas

24 June 2013

Darren Reeve





# Congestion Management Procedures

## **Amended Annex 1 to Regulation (EC) 715/2009**

- Applies in the event of contractual congestion

## **Aimed at bringing unused capacity back to the market**

- Oversubscription and Buy-back (Oct 2013)
- Surrender of Capacity (Oct 2013)
- Longterm UIOLI (Oct 2013)
- Firm day-ahead UIOLI/restriction of noms (July 2016)
- Monitoring & reporting requirements

## **In addition, IUK proposes to enable new Shippers to**

- Sign a contract with IUK (without long-term capacity rights)
- Access capacity directly from IUK
  - as well as through the secondary market



# Consultation: Summary

## Consultation launched 30 April

- Consultation on IUK website and media release
- Article in Heren ESGM and Platts
- Presented at DECC/Ofgem Stakeholder meeting on 22 April
- Presented at Gas Forum on 22 May
- NRAs highlighted to different audiences
- Contacted all parties expressing interest in past

## Closed 28 May: 12 responses received

- 8 IUK Shippers
  - BG, BP, Centrica, E.On, GMTL, RWE (plus 2 confidential)
- 4 non-IUK Shippers
  - GasTerra, Petronas (plus 2 confidential)



# Consultation Responses

OS Quantity	Up to 15%	7 broadly agree, 2 suggest a lower quantity
OS Price	0.5p/th for entry & 0.5p/th for exit capacity	9 broadly agree, 2 prefer a lower price
OS Timing	Day-ahead	4 agree, 1 suggests month ahead, 1 suggests within day
OS Platform	Use existing functionality	7 promote efficient option, 4 promote Prisma
Buy Back (BB)	Market-based	7 broadly agree, 1 critical of the timetable
Limitation on BB Exposure	Cap on daily exposure	Diverse views: 2 support a month, 2 support 3 months, 1 a combination, 2 suggest no limitation
Surrender	9 broadly agree	
LT UIOLI	10 broadly agree (some seeking improvement in process)	
Transparency	10 agree	



# IUK Access Agreement

## New contract to provide access to new IUK products/services

- Shippers (new and existing) may sign up to IAA
- Takes into account “new world” approach (e.g. Entry/Exit)
- Framework for further NWC required changes (e.g. CAM)
- New contract structure:

<p><b>IAA Summary of Service</b></p> <p>Descriptive Document, Summary of access arrangements &amp; services offered</p>	<p><b>IUK Access Agreement (IAA)</b></p> <p>Contract Agreement – Shipper specific terms &amp; binds to IUK Access Code</p> <p>Appendix A – General Terms &amp; Conditions</p> <p>Appendix B – Definitions</p> <p>Appendix C – Modification Rules</p>
	<p><b>IUK Access Code (IAC)</b></p> <p>Operational/Technical Details (e.g. measurement, nominations, allocation)</p>

**Will consult the industry on the IAA during Q3**



# CMP Summary

## **CMP Consultation**

- Good response, generally supportive

## **Interconnector Access Agreement**

- 'Released' capacity to be offered through a new contract
- Industry consultation on the contract during Q3

## **Next Steps**

- Finalise proposal with Regulators and Shippers
- Industry consultation on the IAA
  
- Commence discussions on CAM & BAL