

DECC OFGEM Stakeholder Group for Gas - PRISMA

6 September 2013



Agenda

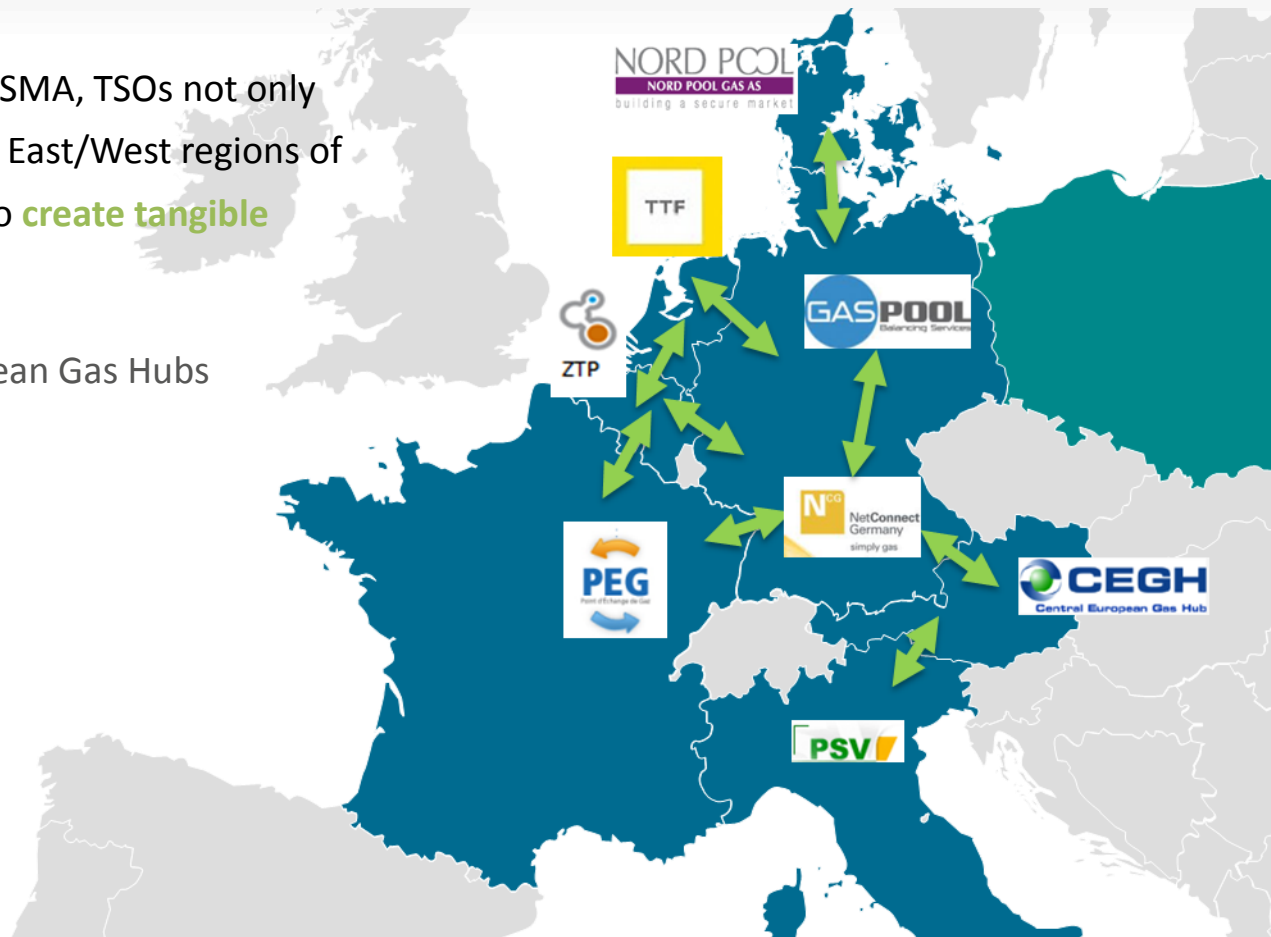
- **Current Status PRISMA platform**
- New functionalities PRISMA primary
- PRISMA secondary
- General Terms and Conditions
- Public Consultation
- Questions & Answers

PRISMA connects seven major gas markets in the core of Europe...

➤ By auctioning capacity via PRISMA, TSOs not only connect the North/South and East/West regions of the European Union, they also **create tangible benefits for EU citizens.**

➤ PRISMA connects nine European Gas Hubs

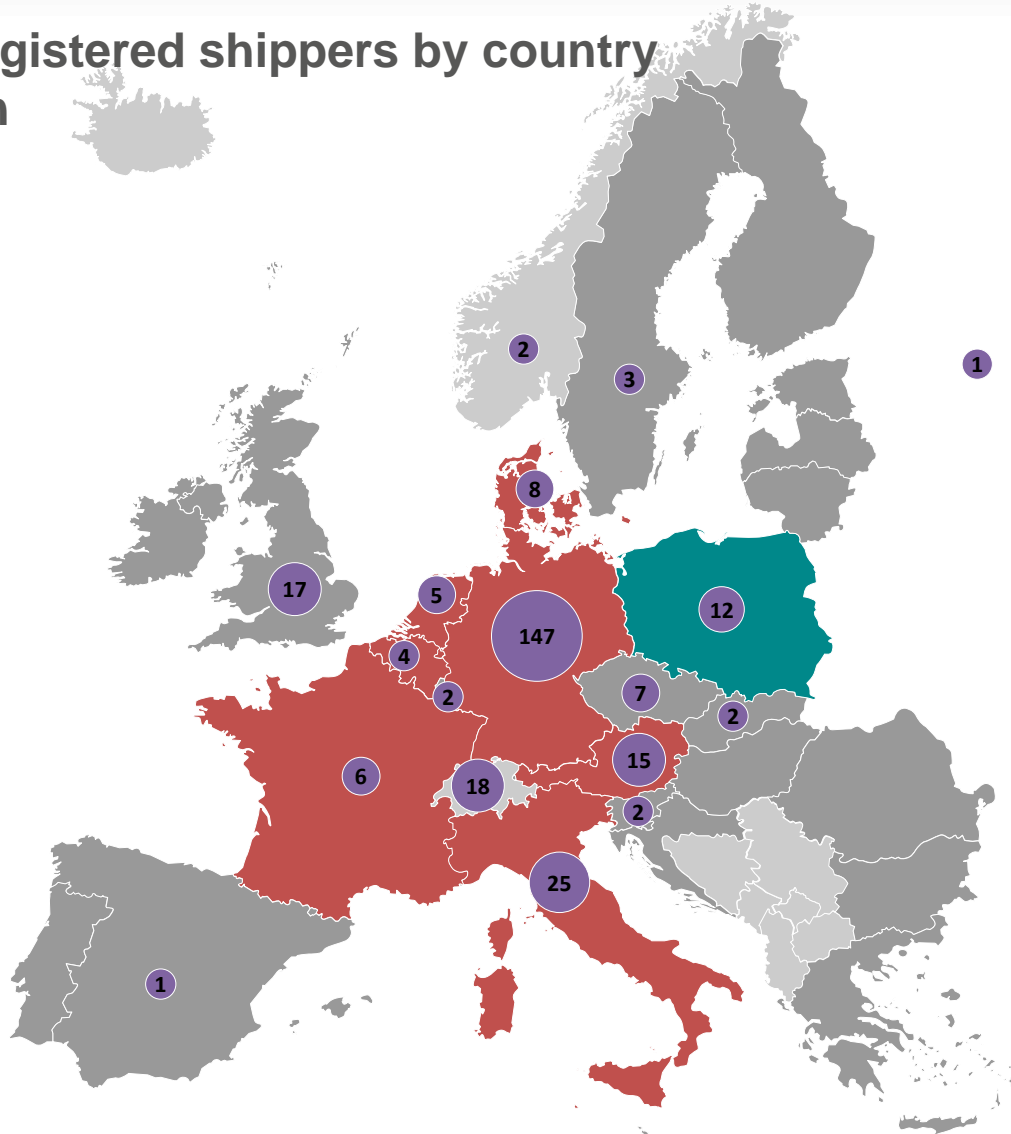
- CEGH
- Gaspool
- NCG
- Nord Pool
- PEG North
- PEG South
- PSV
- TTF
- ZTP



With 24 TSOs from eight European countries marketing their capacity through the platform, PRISMA is a major step towards an integrated European gas market.

... and has already reached significant acceptance and utilization in the market.

Number of registered shippers by country of their origin

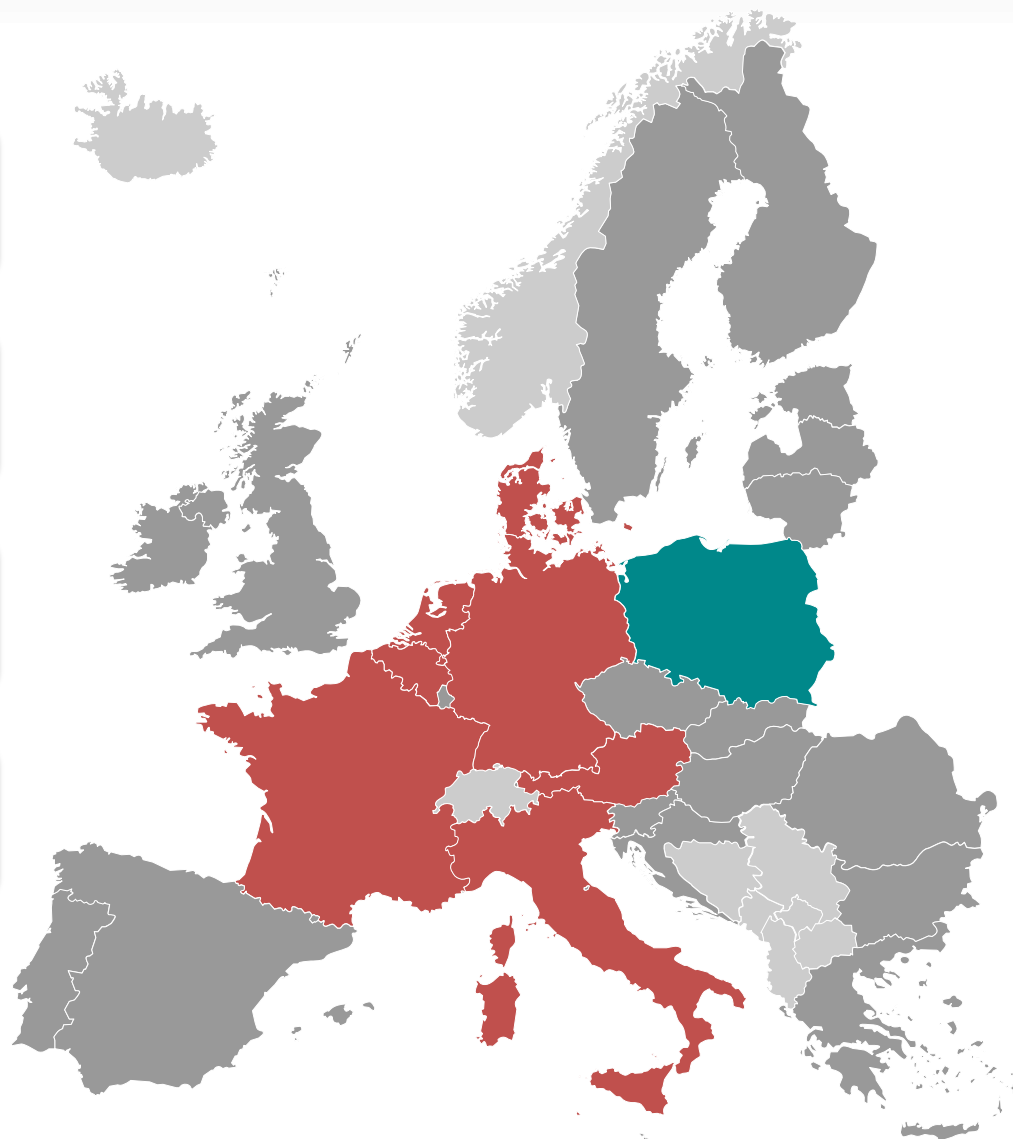


277 shippers with more than 830 users are using the platform to book transport capacity across European borders.

More than **16,000 auctions** have taken place since the platform start.

More than **830,000,000 kWh/h** of allocated capacity in total

Since PRISMA's start, platform operations have been secure & stable with a large number of auctions taking place...



In April 2013:
about 3,800 auctions
about 7.1k GWh/h

In May 2013:
about 4,500 auctions
about 8.6k GWh/h

In June 2013:
about 4,300 auctions
about 8.6k GWh/h

Both algorithms have been tested:
Multi-round (ascending clock) & Uniform price

Austria
Daily, Monthly, Quarterly, Yearly

Belgium
Daily

Denmark
(firm and interruptible)
Daily, Monthly, Quarterly, Yearly

France
Daily, Monthly

Germany
Daily, Monthly, Quarterly, Yearly

Italy
(firm and interruptible)
Daily

The Netherlands¹
Daily, Monthly, Quarterly, Yearly

Poland
Pilot for quarterly products

1 – The Netherlands: Auctions of Monthly, Quarterly and Yearly products as of the end of 2013 (according to CAM calendar)

Beyond the future European requirements, PRISMA also provides additional services¹ to TSOs and Shippers...

- ✓ Centralised shipper and user registration on the platform
- ✓ Bundling in 1:n situations
- ✓ Competing capacities
- ✓ Comfort functions for automated bidding
- ✓ Surrender of capacity
- ✓ Automated interface to deal capturing systems of shippers
- ✓ Support of specific national requirements for domestic points



With a high number of state-of-the-art functionalities, the PRISMA platform provides an advanced and cost-efficient way to fulfil the EU requirements.

¹ the implementation of these services are subject to national regulation and therefore the offered services can differ from TSO to TSO.

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PRISMA primary

- Release 2.1 will go live on 1st of October 2013
- Mainly improvements in the area of functionality and usability
- Preparation of secondary integration

Usability

- More detailed information on bidding behaviour
- New filters within auction overview
- Display of offered capacity products per network point

FCFS

- Shipper interface notifying FCFS bookings
- Special contracting services
- National requirements

Credit Limit Check

- Display of credit limits to shippers
- Different credit limits depending on the standard capacity product
- Time-dependent total credit limits

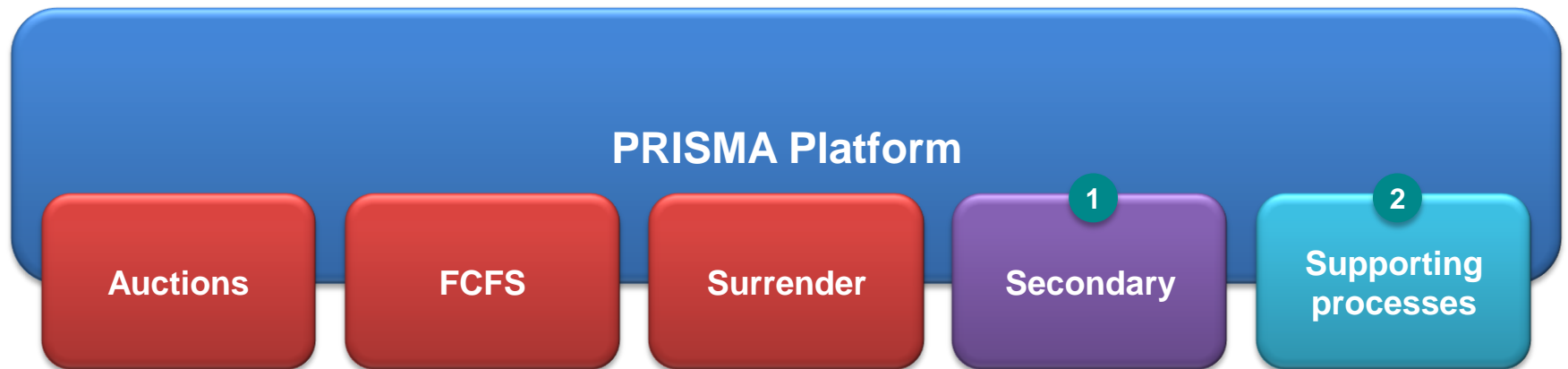
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PRISMA secondary

New functionalities on existing platform

Secondary functionalities will be integrated as a separate module into the existing PRISMA platform



- 1 Secondary functionalities will be integrated seamlessly in the existing platform
- 2 Supporting processes like registration, grid point master data etc. will be used by all functionalities

Secondary Trading Procedures

	Initiated by Selling Shipper	Initiated by Buying Shipper
OTC	<ul style="list-style-type: none"> • Offline negotiation on price & conditions • <u>Selling Shipper registers transaction</u> • Buying Shipper only confirms 	<ul style="list-style-type: none"> • Offline negotiation on price & conditions • <u>Buying Shipper registers transaction</u> • Selling Shipper only confirms
FCFS (anonymous until deal confirmed)	<ul style="list-style-type: none"> • Binding offer by Selling Shipper <u>at fixed price</u> • Countered with (partial) Response by Buying Shipper 	<ul style="list-style-type: none"> • Binding request by Buying Shipper <u>at fixed price</u> • Countered with (partial) Response by Selling Shipper
Call for Orders (anonymous until deal confirmed)	<ul style="list-style-type: none"> • CFO started by Selling Shipper • Buying Shipper proposes (partial) Response & price • Response <u>evaluation by Selling Shipper</u> 	<ul style="list-style-type: none"> • CFO started by Buying Shipper • Buying Shipper proposes (partial) Response & price • Response <u>evaluation by Buying Shipper</u>

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General Terms and Conditions

PRISMA will introduce new GTCs on 1st January 2014, due to changes and new functionalities on the PRISMA platform.



PRISMA
primary



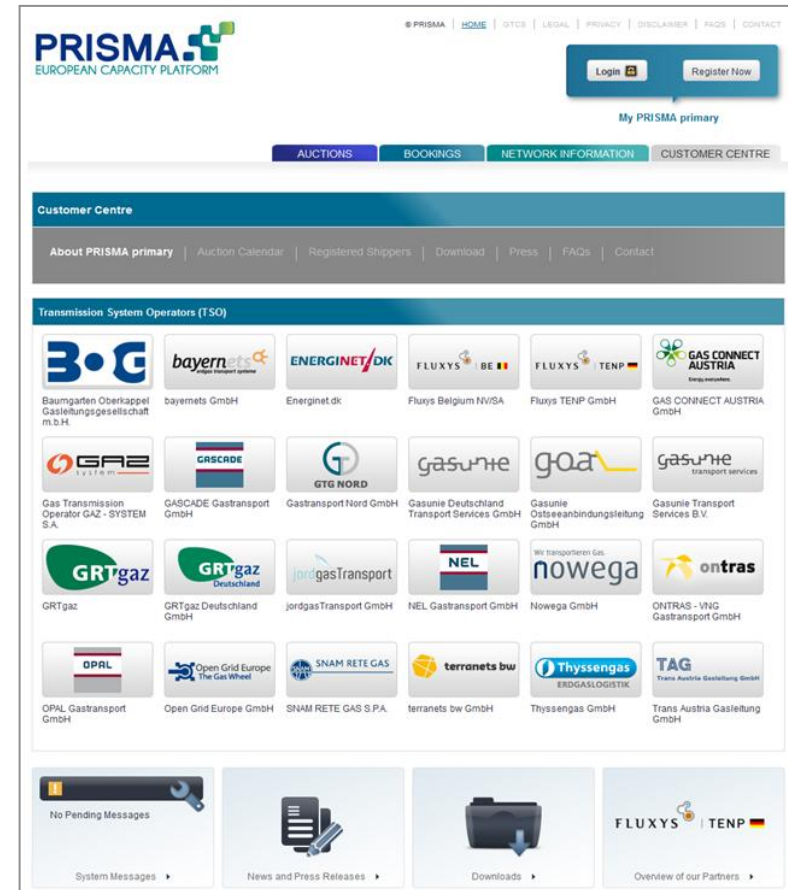
PRISMA
secondary

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Reasons for the Public Consultation

- In April 2013, nineteen gas transmission system operators from seven European countries successfully launched the joint PRISMA primary platform
- The platform is an early implementation of ENTSOG's Network Code on Capacity Allocation Mechanisms (NC CAM).
- A public consultation is carried out to gather feedback in preparation of an evaluation report on PRISMA and the early implementation of the NC CAM
- Shippers can participate in the public consultation by filling out the questionnaire that was published on the platform



Questionnaire for the Evaluation of PRISMA

**PRISMA
primary**

- General
- Transparency and Usability
- Support
- Communication
- Auction Mechanism

**GTCs
(valid from 1 January 2014)**

- Transparent description of the platform
- Information process of the GTC publication

Questionnaire for the Evaluation of PRISMA

PRISMA primary

General

Understand how users generally feel about the content, navigation and look of the platform

Transparency and Usability

Understand how users feel about the available information regarding auction proceedings, auction results, the website structure and navigation

Support

Understand how satisfied platform users are with the customer support, platform support and technical support

Communication

Understand how users feel about the communication of PRISMA in general, regarding auction results, cancelled auctions and in case of disturbances/failures

Auction Mechanism

Understand how users rate the ratio of small to large price steps

Comments

Users can provide comments on all topics above as well as on any other topic that is not listed above

Next steps



Public consultation ends on 16.09.2013 (please return your questionnaires until then)

Evaluation of feedback by PRISMA and publication of Evaluation Report

Additional events/workshops for detailed information on PRISMA secondary and Shipper Interface

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**Managing entry capacity at Bacton
under the UNC and CAM**

ofgem

Options for managing entry capacity at Bacton

- CAM NC applies to interconnection points only; existing UNC arrangements remain for domestic production
- Assume therefore that entry capacity at Bacton will be sold via the UNC (UKCS) and CAM (IUK/BBL)
- Timing of auctions may lead to selling more than is available or favouring one entry route
- Also both UNC and CAM require some capacity to be reserved for short term auctions
- We have considered four options for managing entry capacity at Bacton
 - NGG resolves (using existing mechanisms for managing capacity)
 - Capacity reduction (amend the capacity available in an auction based on the outcome of the other)
 - Competing auction (both auctions run together with capacity going where it is valued most)
 - Split capacity (predetermine the maximum capacity available at an entry point or points)
- Some options rely on certain assumptions being true
 - Capacity reduction needs one auction to be completed before other starts
 - Competing auctions require timescales to be aligned, and for some form of communication between platforms
- Not an issue for exit capacity as already split

Possible Bacton split options

Option	Required assumption(s)	Conclusion
NGG resolves	<ul style="list-style-type: none"> • There is unused capacity or NGG is able to buyback 	<ul style="list-style-type: none"> • Possible under current flow levels • This might change if flows alter dramatically • Issues with timescales not being aligned
Capacity reduction	<ul style="list-style-type: none"> • One auction must be completed before the other starts 	<ul style="list-style-type: none"> • Not currently possible, ruled out • UNC and CAM auctions are held at the same time for at least some of the bid window • Would need a change to the UNC to work • Risk of creating a 'first mover advantage'
Competing auction	<ul style="list-style-type: none"> • Both auctions are held at the same time • Auctions held on same or linked platforms 	<ul style="list-style-type: none"> • Possible but ruled out • Auction timing not exactly aligned • Expect the complexity of administering this to be too great
Split capacity	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Possible and current lead option • Splitting capacity would mean UNC and CAM auctions are held independent of each other; timing not an issue • Other issues remain (how to determine the split, current sold capacity, etc)

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.

REMIT – A Brief Update

DECC / Ofgem Stakeholder Working Group

Alasdair Yuille, Senior Economist

06/09/2013

ofgem

European regulation:

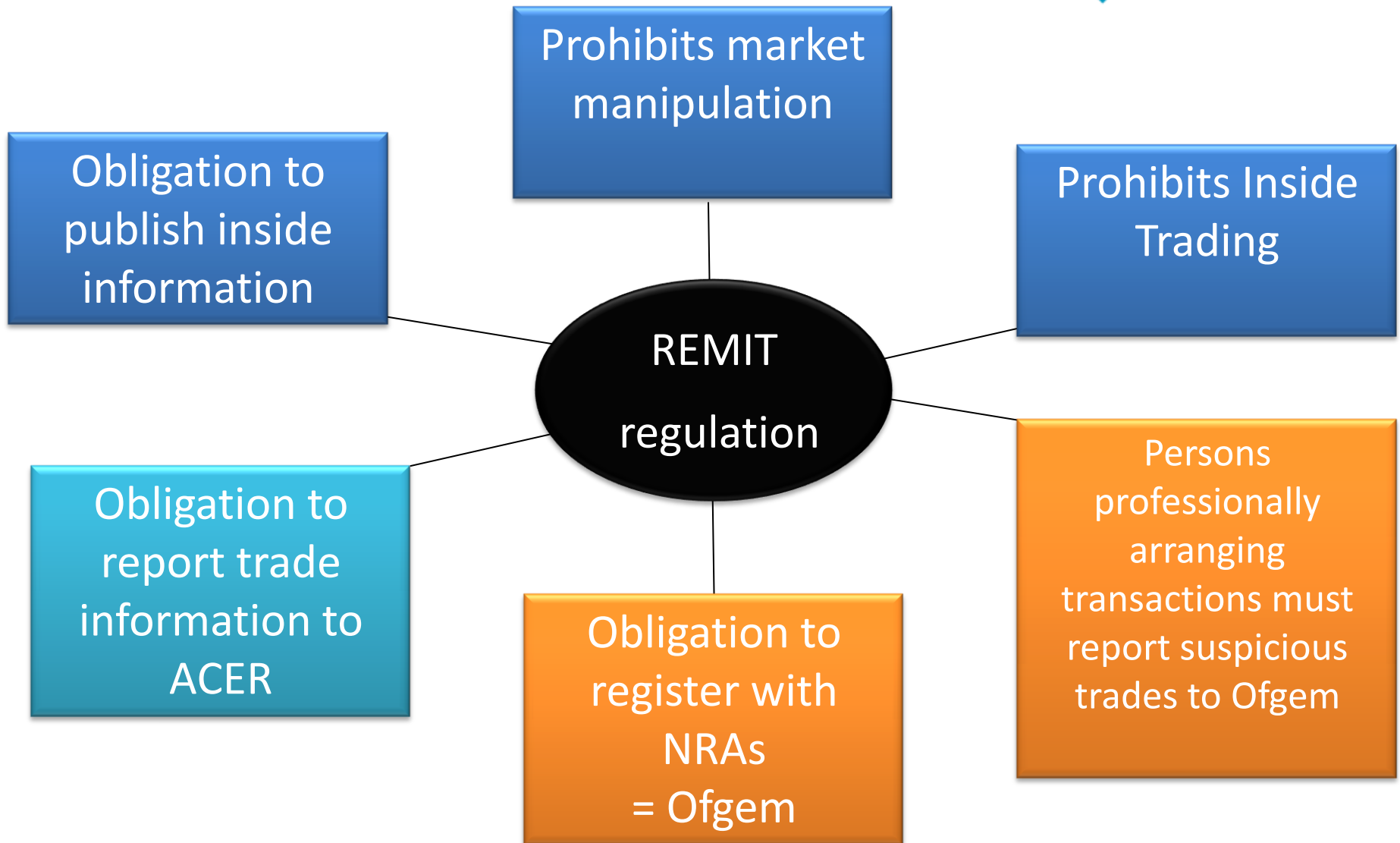
- Prohibits market abuse (market manipulation and insider trading) (from Dec 2011)
- Requires publication of inside information (from Dec 2011)
- Establishes new European framework for market monitoring

As the NRA for GB, Ofgem is responsible for:

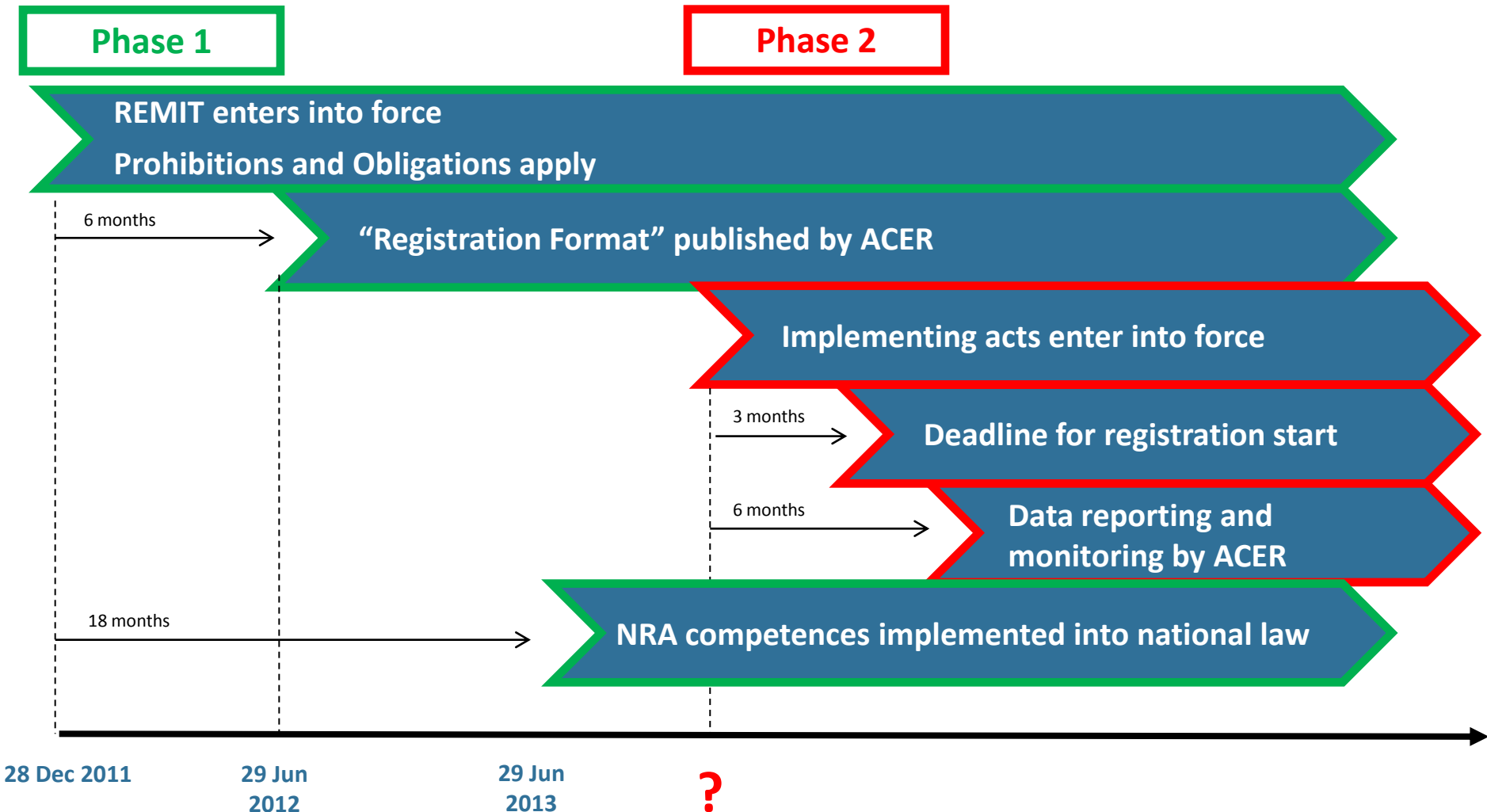
- Enforcement (from June 2013)
- Registration of market participants

ACER responsible for market monitoring. Ofgem also has the power (but not the obligation to undertake this role).

Ofgem received new investigation powers and appropriate sanctions to enforce REMIT from 29 June 2013.



Implementation timescales



What information is required?

- Data fields set out in ACER Decision 01/2012.
- Requires basic information on the market participant, some key contact details, corporate relationships and information on delegated parties for reporting

How will you register?

- Through an online registration system currently being developed by ACER and tested by NRAs
- We may look to a small number of market participants to volunteer to help test the system this Autumn
- ACER will publish a user manual explaining how to use the system.

When is registration likely to start?

- Testing of the system is expected to be finished by the end of the year
- REMIT requires registration to begin at latest 3 months after the implementing acts are adopted but aim for earlier than this
- We may look to open registration before the implementing acts are adopted

What should be reported?

- Any information of a precise nature which has not been made public, which relates, directly or indirectly, to one or more wholesale energy products and which, if it were made public, would be likely to significantly affect the prices of those wholesale energy products

How should it be reported?

- Either on company website or through a platform
 - Inside info on gas: National Grid webpage
 - BSC Modification P291, approved in August: Inside info on electricity to be published on BMRS via direct submissions on Elexon Portal or submissions under Grid Code from January 2015

ACER Guidance details information the publication should contain

If a Market Participant delays publication using Article 4(2), they must inform Ofgem and ACER via form available on ACER website

Transaction data will be reported to ACER, not Ofgem.

What needs to be reported?

- Commission's implementing acts will define:
 - What contracts, including orders, need to be reported
 - Rules on how to report these contracts
 - Rules on the format and timing for reporting
- Date for final adoption of Implementing Acts unknown.
- Commission may seek comments from market participants ahead of comitology process. [But this is uncertain]

Progress so far?

- ACER Pilot project - 20 or so companies involved (MPs, TSOs, exchanges, RRM's etc)
- Main purpose is to test and customise ACER's Market Monitoring tools
- Aim to steadily ramp up the pilot project, increasing the amount of data collected to eventually become the market monitoring tool
- Key benefit that issues/problems will be identified early

Order came into force on 29 June granting Ofgem new powers to investigate and enforce breaches of REMIT. New powers include:

MONITORING

- “Regulated Persons” must retain relevant telephone calls & electronic communications for up to 6 months (subject to extension).
- Power to request information and documents for monitoring purposes.

INVESTIGATION

- Require information
- Enter premises (warrant)
- Require attendance at “interview”
- Skilled persons report

OUTCOMES

- Injunction;
- Court-ordered restitution;
- Ofgem-ordered restitution;
- Censure; and
- Unlimited penalty.

DECISION MAKING

- Notice

Currently considering responses to consultation on use of new powers. Committed to publishing a revised penalties and procedural note by the Autumn, taking into account comments received.

On 20 August, we published a follow up to responses received to our open letter. Available at <https://www.ofgem.gov.uk/publications-and-updates/ofgem-open-letter-response-addressing-queries-remit>

To contact the REMIT team, please use the REMIT@Ofgem.gov.uk email address.

Use this email address to notify us if you would like to be included in an email group for REMIT-related updates. Please make sure that the relevant contact name, company and contact details are clearly indicated.

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