

## Summary of workshop discussions on implementation of CAM at Bacton

---

This note summarises the key comments from a workshop hosted by Ofgem to look at ways of maintaining flexibility for shippers as part of implementation of CAM at Bacton.	From	Ofgem
	Date and time of Meeting	28 January 2014
	Location	Ofgem, 9 Millbank, London

---

### 1. Introduction

1.1. Participants were welcomed to the workshop. The aim of the day was explained as giving shippers the opportunity to look at ways to maintain flexible use of entry capacity at Bacton following the implementation of the Capacity Allocation Mechanism (CAM) network code.

### 2. Background and objectives

2.1. It was noted that Ofgem published an open letter in October 2013 setting out issues regarding implementation of CAM at the Bacton Aggregated System Entry Point (ASEP). Responses to the letter expressed concern about the impact splitting the ASEP into United Kingdom Continental Shelf (UKCS) and "European"<sup>1</sup> ASEPs may have on existing flexibility.

2.2. Ofgem understood from shippers' responses that they had four objectives with regards to implementing CAM: that capacity should be fungible (as far as practically possible within the bounds of being CAM compliant); to avoid unnecessary artificial constraints; to honour existing contracts (subject to changes necessary to be CAM compliant); to be free to allocate capacity as shippers wish. One participant noted a fifth objective was to minimise cost to shippers.

2.3. Responses to the open letter focussed on four possible ways of achieving this (overrun, day ahead interruptible, substitution, and transfer and trade). The workshop focussed on the option of amending the existing overrun regime.

2.4. One participant asked if there should be an opportunity to leave an existing contract if CAM and changes to Bacton represented a material change.

2.5. There was some discussion over whether an interim or enduring solution should be considered. If matching capacities between TSOs was an ultimate aim, this might drive the process. Plans by the interconnectors could impact any solution<sup>2</sup>. It was also stated that the development of the Tariffs network code might require an interim arrangement.

### 3. Amending the existing overrun regime

3.1. The workshop then considered amending the existing overrun regime in more detail.

---

<sup>1</sup> The phrase "European" here is a reference to the connection with our neighbouring EU member states as opposed to the connection to the UK continental shelf.

<sup>2</sup> References to interconnectors in this document mean Interconnector UK or BBL unless explicitly stated otherwise.

- 3.2. A participant stated that the interconnectors had no concept of overrun so this might restrict how effective this would be on their systems. The group noted this but agreed that allowing overrun on the split Bacton ASEP could still provide the desired flexibility.
- 3.3. The group discussed possible scenarios and considered whether amendments to the existing overrun regime may provide the desired flexibility following a split of the Bacton ASEP.
- A shipper has unbundled interconnector capacity and unbundled Bacton entry capacity at the European ASEP, no UKCS ASEP capacity, but wishes to flow from UKCS. The shipper can flow gas via the UKCS ASEP up to the capacity they had available on the European ASEP (subject to any flows through an interconnector) without any overrun charge being levied in respect of the UKCS flows.
  - A variation of the first scenario where the shipper has unbundled interconnector capacity and UKCS ASEP capacity only. The shipper can flow via the interconnector into the European ASEP up to the level of available capacity held on the UKCS ASEP (subject to any flows from UKCS into Bacton).
  - A shipper has bundled interconnector and Bacton entry capacity on the European ASEP, no UKCS ASEP capacity, but wishes to flow from UKCS. The shipper can flow gas via the UKCS ASEP up to the capacity they had available on the European ASEP (subject to any flows through an interconnector). A concern was raised that this might constitute breaking the bundle and would need to be considered further.
  - The group then discussed flexibility within the European ASEP. That is, whether a shipper with an IUK and European ASEP bundle could combine this with unbundled BBL capacity to flow via BBL (or vice versa). A concern was raised that this might constitute breaking the bundle and would need to be considered further.
- 3.4. A further scenario was discussed where a shipper held an IUK and European ASEP bundle only (i.e. no BBL capacity) but wanted to flow via BBL. It was noted that neither interconnector had any concept of overrun and therefore this would not be possible unless the shipper also bought capacity on BBL.
- 3.5. Participants agreed that amending the existing overrun regime on the National Transmission System could provide flexibility in the scenarios outlined in section 3.3 above and there was merit in developing this further.
- 3.6. The group also considered whether the overrun regime could be on a shipper or aggregate holdings. It was noted by one participant that overrun by aggregate holding was not applied anywhere else and may have some unintended consequences.
- 3.7. The group noted the final version of the Tariffs network code may also influence any solution. However it was agreed that this would likely not be available, or implemented, in line with the timescales for CAM.

#### **4. Other issues raised**

- 4.1. A participant asked what the impact of changes to the substitution methodology would have on flexibility. A stakeholder expressed concern that any substitution of capacity away from the UKCS ASEP might reduce the level of flexibility that it would be able to offer. It was agreed amongst participants that a review of the substitution methodology was likely to be necessary. Similarly any increase in flows from UKCS might limit what capacity was available for overrun.
- 4.2. A participant enquired whether shippers would have the opportunity to assign capacity to the UKCS or European ASEP as they wished. This would be particularly important for

shippers who flowed only via UKCS. It was agreed that shipper preferences should be taken into account wherever possible and current bookings at Bacton suggested this should be possible.

- 4.3. Ofgem were asked if they had a view on terminating existing contracts as a result of changes introduced by CAM and splitting Bacton. Ofgem confirmed they did not have any view on this at this time. One participant noted that there was a buyer and a seller involved with any contract.
- 4.4. One participant asked whether Ofgem had considered an impact assessment as part of implementing CAM. It was noted that an impact assessment would possibly be appropriate.

## **5. Next steps in respect of possible development of the overrun regime**

- 5.1. The workshop concluded that amending the overrun regime could potentially provide the desired flexibility between the UKCS and European ASEPs under certain scenarios, at least on an interim basis.
- 5.2. Ofgem agreed to provide a summary of the workshop in time for the Uniform Network Code (UNC) Transmission workgroup in March 2014. It would then be up to industry to decide how to progress the solution which may include a UNC modification. Post workshop note – a summary was provided at the UNC Transmission Workgroup on 6 February and at the DECC/Ofgem/Stakeholder meeting on 7 February.