

Facilitating the implementation of aspects of the Capacity Allocation Mechanisms Network Code in Great Britain

Consultation Response

Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Energy UK welcomes the opportunity to provide comments to Ofgem's minded to position. We provide comments against the questions provided below.

Question 1: Do you agree with our proposal to only implement the CAM network code in respect of the allocation of entry and exit capacity on the NTS at IPs?

YES

This decision is consistent with HMG Transposition Guidance for EU Directives ¹ which includes the guiding principle of not going beyond the minimum requirements save in exceptional circumstances. We consider that although it is primarily aimed at Directives it should apply equally to Regulations.

In addition implementation at other entry and exit points would lead to a change in capacity products and allocation processes which could be costly to implement and may not deliver benefits.

Question 2: Do you agree with our proposal to split the Bacton ASEP into a UKCS ASEP and IP ASEP?

YES

It is difficult to envisage how the Code may be implemented if Bacton ASEP is not split. However we remain concerned that this represents a significant reduction in the flexibility inherent in existing capacity booking at the current Bacton ASEP.

We also note that Regulation 715/2009 also requires the maximum technical capacity to be made available at Relevant Points which would include the Bacton UKCS entry point and not only the Bacton IP entry and exit points.

Question 3: Do you agree with our proposal to create one single IP ASEP, with the baseline capacity set at the sum of the maximum technical capacity for the IUK and BBL interconnectors?

¹ <https://www.gov.uk/government/publications/implementing-eu-directives-into-uk-law>

YES

We understand that a single IP ASEP could offer slightly more flexibility in the way in which holdings are utilised at least until capacity is bundled

Question 4: If you are a holder of entry capacity at Bacton after November 2015, please provide details of entry capacity holdings after this date. Please also provide details of how you would choose to assign these capacity rights following any split of the Bacton ASEP (ie, into a UKCS ASEP and IP ASEP)?

Energy UK is not a shipper and therefore does not hold capacity. We do however support Ofgem seeking initial views on Shipper's assignments between the two ASEPs.

We also consider that as part of this assignment process, shippers should have the opportunity to surrender capacity, this would make the implementation process more akin to that for exit capacity where it is proposed to be end-dated. The rationale for end-dating exit capacity is that the current enduring product is different from that described by CAM, we consider this also applies for entry capacity the current product is held in quarters or shorter periods and included flexibility to flow gas from UKCS or IPs, whereas CAM capacity products may be purchased in annual blocks, through a different allocation process and with reduced flexibility in use.

In this respect we acknowledge that CAM refers to existing contracts but it does so only in respect of IPs, it is silent in respect of capacity at entry points that are associated with IPs. Indeed Bacton may be somewhat unique in this respect. Being able to surrender capacity could be seen as a mechanism for shippers to adjust their holdings recognising the change in the capacity product that was originally purchased and reduce the risk of legal challenge. It would most likely also lead to more rapid roll-out of bundled capacity which is the key aspect of the CAM code that is expected to deliver benefits through facilitating cross border trade.

Question 5: Do you agree that no change is required to the existing licence obligations relating to NTS exit capacity in order to facilitate the implementation of the CAM network code?

We agree there is no need to further split exit points at Bacton, however there is a need to check where these are Relevant Points that the baselines are set to the maximum technical capacity.

Question 6: Do you agree that there is a need to amend the definition of Off-peak Exit Capacity in NGG's NTS licence?

YES

Question 7: Do you agree with the proposed changes to NGG's NTS licence that we have set out in appendix 3?

YES

In addition the Bacton UKCS and Bacton IP should also be recognised as Relevant Points ²

Question 8: Do you consider that some form of transitional arrangement is required? If so, do you consider that our proposals, as set out in this document, meet these requirements?

² <https://www.ofgem.gov.uk/publications-and-updates/authority%E2%80%99s-approval-%E2%80%9Crelevant-points%E2%80%9D-transmission-system-purposes-article-184-gas-regulation-ec-no-7152009-and-consultation-questions-additional-technical-capacity-information-published-national-grid>

YES

The transitional proposals seem reasonable at this stage, however additional issues may emerge as the UNC modifications are developed.

Question 9: Are there any other changes to NGG's NTS licence (or any other licence) that you consider are required to facilitate the implementation of CAM?

The opportunity for shippers to surrender entry capacity as described in response to question 4 could be effected via a licence condition.

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