



# **Modification A065: Financial Security**

**The Hilton Hotel, Kilmainham, Dublin  
Wednesday, 21<sup>st</sup> January 2015**



# Code Modification Proposal Presentation

*Financial Security Policy amendments arising from introduction of Capacity Allocation Mechanisms (Regulation 984/2013)*

<b>Code Modification Number:</b>	A065
<b>Proposer:</b>	Gaslink
<b>Submission Date:</b>	8 <sup>th</sup> January 2015

# Introduction



<b>Code Modification Proposal Title and Number</b>	Code Modification A065 <b><i>Financial Security Policy amendments arising from introduction of Capacity Allocation Mechanisms (Regulation 984/2013)</i></b>
<b>Proposed sections of the Code to be Modified</b>	Part C: Capacity; Part I: Legal and General; Financial Security Policy FS01 v3.0; Short Term Product Financial Security Policy v1.0.  There may be consequential changes to other areas of the code.
<b>Procedure</b>	A presentation on the changes to the Financial Security Policy will be made at the Code Modification Forum on the 21 <sup>st</sup> January 2015 and Version 1.0 of the proposed business rules will be issued to Industry for consultation in the week following the meeting.



## Purpose of the Proposal

- To define the Business Rules required to implement changes to the Financial Security Policies **FS01** and '**Financial Security Policy for Short Term Products**' as a result of the implementation of the EU Network Codes on Capacity Allocation Mechanisms (CAM) and Balancing.

## Scope

- Based on the CAM Network Code, the Balancing Network Code and the draft 'Interoperability and Data Exchange' Network Code.
- The CAM Business Rules have been completed and approved by the CER.
- Version 2.0 of the Balancing Business Rules have been completed and are being reviewed by the CER.

# RECAP: CAM Key Features



## Standard Capacity Products

- Annual (up to 15 years), **Quarterly**, Monthly, Daily, Within-Day

## Capacity Auctions (Joint Booking Platform)

- Capacity sold via auction – level of demand determines clearing price
- Standardised EU-wide auction calendar

## Bundling of Capacity

- Entry and Exit Capacity at both sides of an IP is 'bundled' together and sold as a single product

## Change to Gas Day

- Gas day 05:00 - 04:59 UTC (currently 06:00 – 05:59)

# RECAP: CAM Auctions



Product	Bundled	Auction Frequency	Auction Start (Default)	Product Start Time	First PRISMA Auction*
Annual	✓	Annual	1 <sup>st</sup> Monday in March	• 1 October	Monday 7 <sup>th</sup> March 2016
Quarterly	✓	Annual	1 <sup>st</sup> Monday in June	<ul style="list-style-type: none"> <li>• 1 October</li> <li>• 1 January</li> <li>• 1 April</li> <li>• 1 July</li> </ul>	Monday 6 <sup>th</sup> June 2016
Monthly	✓	Monthly	3 <sup>rd</sup> Monday in preceding month	• 1 <sup>st</sup> of each month	16 <sup>th</sup> November 2015 for December 2015
Day-Ahead	✓	Daily	15:30 D - 1	• 05:00 D	15:30 on 31 <sup>st</sup> October 2015 for 1 <sup>st</sup> November 2015
Within-Day	✓	Hourly	18:00 D – 1	• 05:00 D	18:00 on 31 <sup>st</sup> October 2015 for 05:00 on 1 <sup>st</sup> November 2015

\* Based on the recommended dates in the Regulation but subject to confirmation by ENTSOG



# Financial Security Required to be in place:

Product	Existing Product	FS Required at time of booking	Level of FS Required	CAM Product	FS Required at time of Auction ?	Level of FS Required
Multi-Annual	✓	✓	72 days	✗	N/A	N/A
Annual	✓	✓	72 days	✓*	✗	0 %
Quarterly	✗	N/A	N/A	✓	N/A	0 %
Monthly	✓	✓	100%	✓	✓	100%
Day-Ahead	✓	✗	100% to be put in place after booking	✓	✓	100%
Within-Day	✓	✗	100% to be put in place after booking	✓	✓	100%

\* Annual Products can be booked for the next 15 years at the PRISMA Auction



## PRISMA Financial Security Process

- PRISMA uses a system of Credit Limits to implement Financial Security.
- PRISMA maintains a dynamic Credit Limit for Shippers based on an initial Credit Limit notified to PRISMA by the Transporter.
- The Transporter will upload a Credit Limit to PRISMA for each Shipper based on the Shipper's existing Financial Security with the Transporter.
- The Shipper will determine the amount of their Security to be allocated to PRISMA.
- Before updating PRISMA, the Transporter will ensure that the Financial Security will be in place for a sufficient period of time for the Transporter.



## Invoice and Payment Schedule



- Invoices are issued to Shippers the month after which the Capacity was used.

Action	Timeline
Invoice Issued	12 Business Days into Month after the Month in which Capacity was used
Payment Due	12 Calendar Days after Invoice Date <b>OR</b> 2 Business Days prior to Month End;  Whichever is later
FS Drawdown	Can take place 5 Business Days after Due Date

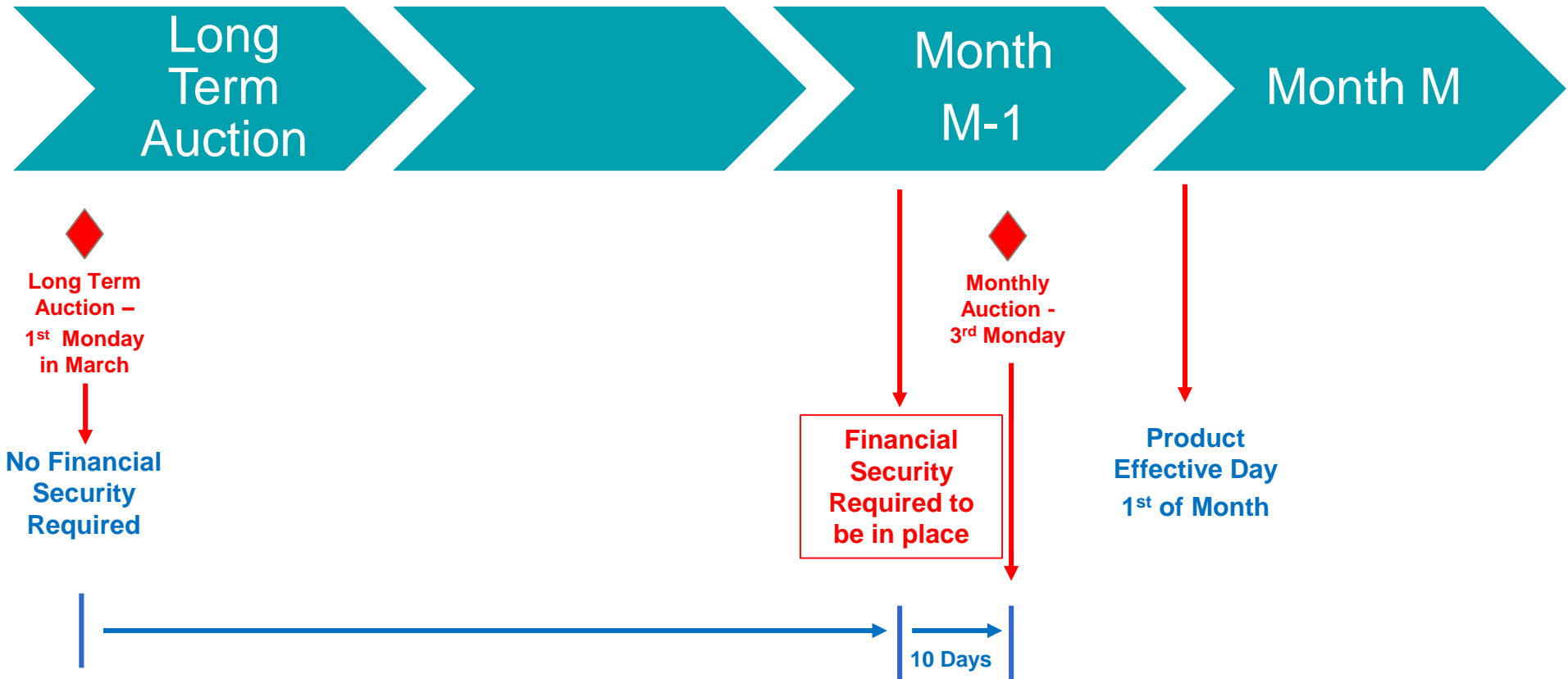


## Proposal for Long Term Products

Product	Auction Date	Product Effective Date
Annual	1 <sup>st</sup> Monday in March	1 <sup>st</sup> October
Quarterly	1 <sup>st</sup> Monday in June	1 <sup>st</sup> October 1 <sup>st</sup> January 1 <sup>st</sup> April 1 <sup>st</sup> July

- Financial Security will **Not** be required at the time of the Auction.
- The Shipper will be required to put Financial Security in place before the effective date of the product.
- Financial Security should be in place 10 days before the Auction for a Monthly Product with the same effective date as the Long Term Product.
- The Shipper will be required to put sufficient Financial Security in place to cover 72 days worth of Capacity bookings (same as current arrangement).

# Long Term Product Financial Security Cycle



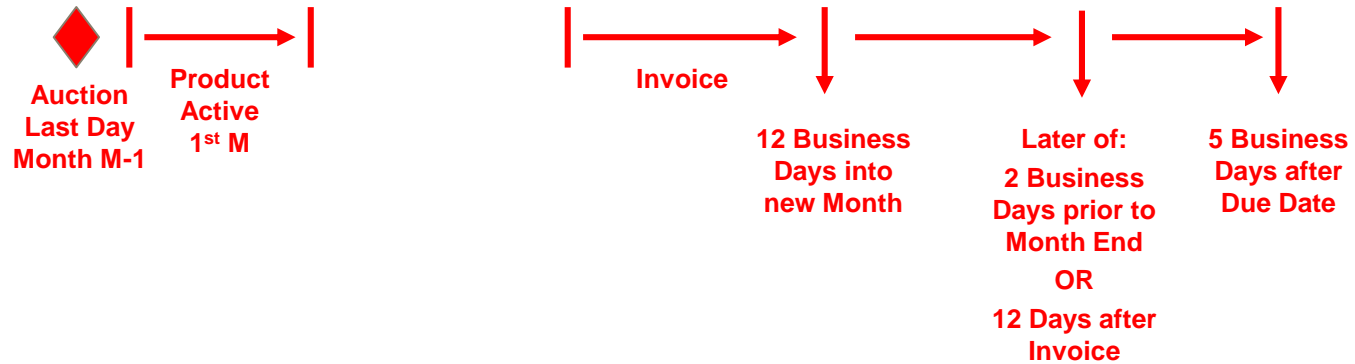
## Proposal for Short Term Products



Product	Auction Date	Product Effective Date
Monthly	3 <sup>rd</sup> Monday of Previous Month	1 <sup>st</sup> day of Month
Day - Ahead	Previous Day	Effective Day
Within - Day	Hourly Basis within Day	Effective Day

- It is proposed that full Financial Security should be in place on the PRISMA Platform prior to commencement of the Auction.
- The Shipper will be required to assign sufficient Financial Security from GTMS to PRISMA.
- The PRISMA platform will check the Shipper's available credit against the Capacity being purchased prior to commencement of an auction. In the event that sufficient credit is not in place, the Shipper's bid will be rejected.
- The Financial Security will need to remain active for a defined number of days based on the period of exposure for the Transporter or until payment of the Invoice.

# Daily Auction Cycle – Maximum Period of Exposure



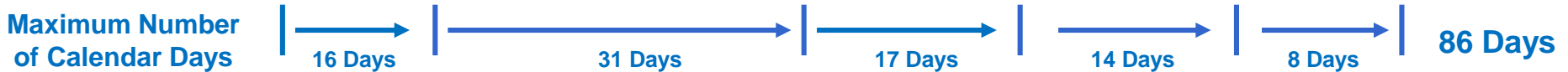
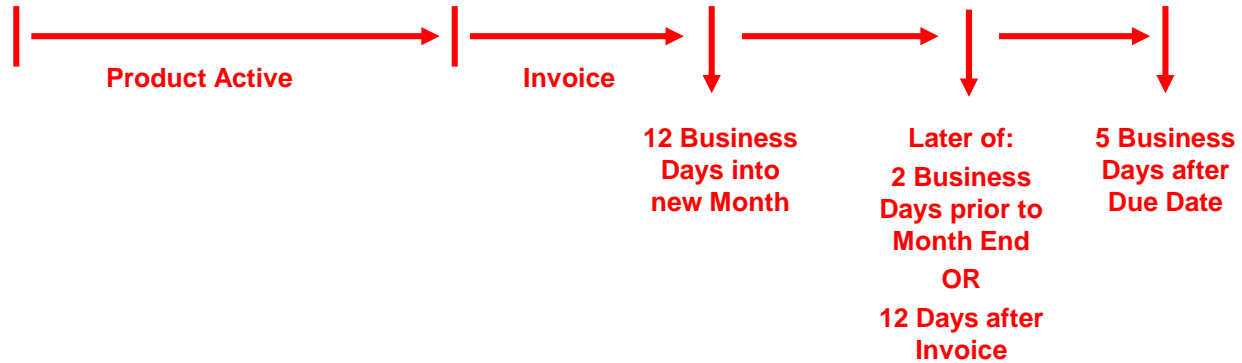
Maximum Number of Calendar Days



# Monthly Auction Cycle – Maximum Period of Exposure



**Auction 3rd Monday**





## Non – Interconnection Points

### Proposal

- The products offered at Non- Interconnection Points(Exit Points and indigenous Entry Points) will not change as a result of the implementation of the CAM NC.
- The Financial Security requirements at these points for Annual and Monthly products will remain unchanged.
- For Daily products, full Financial Security will need to be in place prior to the confirmation of the booking.

Product Type	Financial Security Requirement	Required When?
Annual & Multi-Annual	72 days worth of Capacity	M-8 Days
Monthly	1 Month of Capacity	M-8 Days
Daily	1 Days worth of Capacity	FS Required at time of confirmation of Booking