



Energy for
generations

Generation & Wholesale Markets

ESB Generation & Wholesale Markets
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Dear Aidan

Thank you for the opportunity to feed back to you on the Business Rules for CAM implementation. Please find my comments below, which I am happy to discuss with you. The final two points are more general feedback and observations rather than comments directly to your document; in all other cases, I have itemised the relevant section of the Business Rules document.

Due to the commitments and vacations of colleagues, there may be additional comments in the coming days. If so I will send them through as soon as possible.

Yours truly

Kirsty Ingham

2.1.10 Defined terms – “Daily IP Capacity”

At 4.1.6 this is explicitly stated to mean day-ahead and within-day.

In Article 9 of the Regulation, the standard products include daily and within-day as two discrete products.

- *Can the definition be clarified at 2.1.10 (removing the need to be explicit at 4.1.6)? Alternative would be to maintain the definitions per the Regulation.*

3.1.3 Matrix of auction timings – [18:00] for within-day, also 4.8 and 4.9

There seems to be some confusion around when the within-day auction first bidding starts – I guess that might be the reason for the square brackets – sorry I have not had the chance to call you to discuss this week.

The Regulation states at Article 15, paragraph 2 that the first bidding window for within-day starts “*on the next hour bar following the publication of results of the last day-ahead auction*”. At Article 14, paragraph 5 the day-ahead auction runs 15:30-16:00. Paragraph 9 then states that the results are published within 30 minutes, so by 16:30.

Business Rules Section 4.8 agrees with this timeline.

Publication at 16:30 would make the next hour bar and start of the within-day auctions at 17:00. However Business Rules 4.9.2 (a) gives it as 18:00, leaving a gap of 1.5 hours between the publication of day-ahead results and beginning of within-day bidding window.

In the workshop slides (p. 32), the day-ahead auction is listed as 16:30-17:00, with results at 17:30. The diagram shows the timings in DST, but clearly shows no 1.5 hour gap between publication of day-ahead results and start of within-day bidding window. The slides also give the bidding window as 1 hour, whereas the Regulation and Business Rules give it as 30 minutes (Article 15, paragraph 7 and 4.9.2 (c)).

- *Can the times be defined more clearly (e.g. all are UTC unless otherwise stated, UTC being equivalent to GMT and continental European time being UTC+1)?*
- *Can we confirm when the within-day bidding window starts?*

3.3.5 (a) bundling of capacity

The text states “*the Shipper has effectively entered into two separate capacity contracts with each TSO*”.

- *Should this be “two separate contracts, one with each TSO” – or “two separate contracts with the two TSOs”?*

3.3.6 bundling existing capacity

The text at 3.3.6 says the Shipper “*may*” submit a request to bundle, but the language in the Regulation seems stronger – almost compulsory it but does not go so far as to state that directly.

- *Is the intention to leave in the quotations from the Regulation? If not, for the avoidance of doubt, could it be made clearer in the text that bundling of existing capacity is voluntary but the Regulation states that Shippers should bundle capacity at the earliest opportunity, etc.?*
- *Can it be made explicit that the bundling request should be sent to one Transporter only, who will be responsible for contacting the Adjacent Transporter? This is implicit from 3.3.9. Is there any indication of which Transporter should be contacted – or does that not matter, so Shipper just chooses? (I know these are Gaslink Business Rules so implicitly Gaslink is the Transporter in the document. But presumably we will also have the NG equivalent documentation which will say the same thing, so just wondering if the TSOs had a preference to write in now.)*

3.5.1 Gas Day is 5:00-5:00

The defined terms state that the Gas Day is 5:00-5:00 UTC and 4:00-4:00 DST, whereas 3.5.1 states it as 5:00-5:00 (local time).

- *Can the text at 3.5.1 be consistent to UTC/DST to make it unambiguous?*

4.2.3 Capacity set-aside

I interpret Article 8, paragraphs 6 and 7 of the Regulation to mean that:

- \geq 20% of the technical capacity should be set aside at the time the Regulation comes into force.
Of that c. 20%:
- \geq 10% should be kept for the annual yearly auctions Y+5 to Y+1 (para 7 (a)).
- \geq 10% should be kept for the annual quarterly auctions (held in June for October product start)(para 7 (b)).

The text at 4.2.3 could be interpreted to mean that 80% of unsold capacity is to be offered for Y+5 to Y+6. 20% remains, which is split ensuring at least 10% is offered to the Y+5 to Y+1 and 10% offered first to the Quarterly auctions then the other products.

Alternatively it could be interpreted to mean that 90% of the remaining 20% is offered Y+5 to Y+1. Then whatever is left is offered first at the Quarterly auctions then the other products.

- *Compared to the regulation I find the Business Rules confusing on this point – can it be clarified? (I appreciate that 4.2.3 may be the outcome of Gaslink trying to clarify the Regulation!)*

4.3.33-4.3.36 Multi-currency

It is not clear how the price and FOREX can be published for the auction, which could start at 8:00, but the FOREX is only published and input to the system at 14:00 and 14:15.

It is stated 4.3.35 that there is no need for currency conversions as Shippers only bid units of capacity. However, Shippers are bidding units of capacity *at price steps* – therefore they are also bidding price.

The concern is illustrated by the price (or price steps), which is a bundled price agreed by Gaslink and NG, being published at 8:00 in Euro. The auction is over at 11:00, at which point the price paid (e.g. in Euro) and capacity secured is known. At 14:15 the Euro:GBP FOREX is input to PRISMA. It is different to the FOREX used by Gaslink and NG when they agreed the bundled price prior to 8:00.

- *Who takes this exposure? Do Shippers have revised Euro price statements once the FOREX is input? Or does NG absorb any exposure? Or do Shipper's get invoiced by Gaslink at its share of the original Euro price and by NG in GBP, thus the Shipper has the GBP exposure?*
- *Should it be explicit that the FOREX is applied from 14:00 each day and valid for a period of 24 hours?*

Within-day capacity auctions

ESB would be interested to explore options other than auctions for within-day capacity, such as the implicit allocation option which was suggested by the CER at the CAM workshop. We reaffirm the statements made at the meeting that the rules for purchasing short-term gas capacity need to be consistent with the requirements placed on generators by the electricity market and the electricity TSO and should be developed with this in mind. Rules for gas capacity should not be made in isolation. We would be keen to engage on this and work with all parties concerned to ensure a suitable solution is implemented.

Capacity booking behaviour - observation

Shippers currently do not book all annual capacity on a single day and they do not all book for Oct-Sept. Longer term bookings are staggered through time as it becomes apparent, in the case of a generator, what requirements will be placed on the power stations over the coming months. Having only one yearly auction and one quarterly auction per year will tend to push generators to purchase capacity short-term. The requirements on gas-fired generation in the future due to renewable intermittency lead to a similar result.