



Generation & Wholesale Markets

Code Modification Proposal – A066 – EU Network Code Implementation: Transitional Arrangements

Dear Kieran,

ESB GWM welcomes the opportunity to respond to the Transitional Arrangements Consultation.

2.1.1 Annual Capacity Bookings

Due to the prescribed auction timeline for CAM compliant annual capacity bookings, there will be a period between October 2015 and September 2016 where it will not be possible to book annual capacity unless the TSO implements a transitional phase. We appreciate the TSOs endeavours in examining this transitional period and suggesting possibilities. ESB GWM proposes a further solution that we would hope can be discussed with industry as an acceptable alternative.

The current annual capacity booking process allows shippers to book annual capacity at monthly intervals. This process gives shippers the necessary flexibility required for operational and economical efficiency within SEM and such flexibility should not be removed in a traded market since these capacity booking arrangements lend themselves to an open and competitive retail market where both I&C and residential gas customers can switch between gas suppliers. The removal of the current annual booking system towards a system where annual product can be booked only once a year will be detrimental to consumers ability to switch suppliers, since suppliers may not wish to offer changing tariffs or be able to accommodate a changing volume of customer demand. ESB GWM feels that the annual capacity booking process for CAM is not suitable for a small market such as ROI and would request further interaction with both the TSO and CER to investigate alternative solutions.

A066 suggests that shippers could extend existing annual capacity bookings (with end dates between October 31st 2015 and September 30th 2016) for a discrete time prior to 30th September 2016. ESB GWM welcomes the possibility of booking extensions as annual products are economically efficient for a large number of shippers but we would request that more optionality is introduced in the transitional arrangements.

The interoperability between the gas and power markets is apparent and due to factors such as increasing wind generation and the use of EWIC, gas fired generators have variable running patterns,. Hence, the current system which enables monthly bookings of annual product is suitable for changing running patterns and is potentially more sustainable. If the current proposal was enacted, shippers would need a level of forecasted certainty in September 2015 on their future running until September 2016. This certainty is not available, due to changes driven by policy and also due to market design (iSEM), in the market and reduces the effectiveness of the proposed transitional arrangements. We would request that the discrete time period referenced is for as long as possible as flexibility is vital to ensure there is no impact on domestic or retail customers and that a competitive market continues to exist.

One suggestion is that shippers should confirm by September 2015 if they wish to extend their annual bookings while having a monthly option to assess reducing/increasing those bookings until September 2016. This would mimic the current flexibility that is available and has proved effective.

ESB GWM would also request that the CER examines short term multipliers as part of the transitional arrangements and reduce them in line with the quantum outlined in the Tariffs Framework Guidelines. Removing flexibility from the long term capacity market requires the introduction of short term products that are priced efficiently and can be booked within usable time frames. The price differentials between long term capacity in GB and UK is significant and so the impacts of CAM in the GB market will not be as severe as that in ROI. We would request that daily capacity is priced at 1/365 of the annual strip to ensure usable, economically efficient capacity is available in ROI.

2.1.2 Phasing out of legacy unbundled capacity bookings

The impact of CAM on a shippers current contractual arrangements necessitates a complex and wide ranging review of existing contracts. ESB GWM is undertaking this process and reserves the right to comment on the 2020 timeline once this review is complete.

Should you have any queries in relation to the above response please do not hesitate to contact me.

Yours sincerely,

Karol O'Kane