

**Ops Forum – 9<sup>th</sup> November 2005**

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**Substitutability between Capacity and  
Locational Energy Actions**

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# History

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Ofgem believes that locational gas balancing actions taken on the OCM may have a similar impact to buying back entry capacity rights – both function as constraint management tools

- ◆ 01/04/04 – GT Licence modified to move costs and revenues associated with Locational actions into the Entry Capacity Buyback incentive from the Residual Gas Balancing incentive.
- ◆ 01/09/04 – Mod 0687 implemented to align the cash flows associated with locational actions to Capacity Neutrality rather than Balancing Neutrality.
- ◆ 09/12/04 – Mod 0009 raised “Facilitation of substitutability between Capacity and Locational Energy Actions”
- ◆ 14/07/05 – Mod 0009 implemented
- ◆ July 2005 – System Management Principal Statement updated to include Mod 0009

# Modification 009

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- ◆ The purpose of Mod 009 was to align the UNC with the licence by modifying the triggers for both capacity and locational energy actions.
- ◆ The modified triggers enabled National Grid Gas to:
  - ◆ Sell gas locationally upstream of a Transportation Constraint
  - ◆ Scale back interruptible entry capacity where there is no Entry Capability Shortfall
  - ◆ Buy back firm capacity where there is no Entry Capacity Shortfall

# Changes to current operational practice

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- ◆ Upon identification of a constraint National Grid Gas will issue the following ANS message:

*“A firm capacity shortfall has been identified and a request is made for entry capacity buyback offers at [ASEP]. Locational energy bids at the following sub-terminal(s) will also be considered at this time [Sub Terminals]”*

- ◆ National Grid Gas now able to accept Locational **Bids** on the OCM
- ◆ Such Locational actions will be ‘excluded locational actions’ and will be excluded in determining System Marginal Sell Price, System Marginal Buy Price and the System Average Price