

Quarterly System Entry Capacity (QSEC)

Operational Forum

13th August 2008

This Years QSEC Auction

- ◆ Invitation letter will be published at the latest 18th August
- ◆ Indicative dates for this years' auction are 15th to 26th September
- ◆ Transaction Period is 1st April 2010 to 31st March 2025

Entry Capacity Auctions – Our Role

- ◆ Schedule auctions in accordance with UNC
- ◆ Issue Invitation Letters in accordance with UNC, Licence, Transportation Charges Statement
- ◆ Allocate/Reject bids in accordance with UNC, Licence, Incremental Entry Capacity Release Methodology
- ◆ Publish results – Gemini/NG Website
- ◆ General Auction related queries – Capacity Team, National Grid
- ◆ Manage Gemini
- ◆ Manage any auction contingencies

We cannot give advice on bidding strategy!

Entry Capacity Auctions - What do you need to do

Before Auction

- ◆ Understand the regime (e.g Trade/Transfer, substitution, baseline changes)
- ◆ Find and digest the information available
- ◆ Analyse the market and your position
- ◆ Determine your strategy
- ◆ Understand how to bid

After Auction

- ◆ Update your position (Your entitlements will be updated in Gemini)
- ◆ Assess your risk management strategy
- ◆ Secondary trade your surplus/shortfall

Entry Capacity Auctions - Why should you bid?

- ◆ Guarantees long term access rights
- ◆ Avoids uncertainties and risks of not being able to secure capacity in the short term
- ◆ Avoids overruns and interruption risk (still subject to constraints/TFA)
- ◆ If there is a constraint, you can offer capacity back
- ◆ Retains baseline (under substitution)
- ◆ Provides National Grid with signals for Incremental Capacity

Entry Capacity Auctions - What if you do not bid?

- ◆ You risk other shippers buying capacity
- ◆ You risk Capacity levels changing due to:
 - ◆ Trade/transfer
 - ◆ Substitution
- ◆ We do not get an investment signal
 - ◆ Pipe will not go in the ground
 - ◆ 42 Month lead time for Incremental Capacity

Remember – No Signal – No Build

Entry Capacity Auctions – QSEC

| | |
|--|---|
| <ul style="list-style-type: none"> ◆ Firm Quarterly NTS Entry Capacity <p style="text-align: right;"><i>B2.1.4(a)</i></p> | <ul style="list-style-type: none"> ◆ Cleared Price Auction ◆ Incremental Allocation in accordance with IECR (Incremental Entry Capacity Release) statement |
| <ul style="list-style-type: none"> ◆ Transaction Period ◆ Capacity Year +2 to Capacity Year +16 inclusive <p>For this year: 1-Apr-10 to 31-Mar-25</p> | <ul style="list-style-type: none"> ◆ Reserve & Step Prices ◆ Set out in Statement of Gas Transmission Transportation Charges & Invitation letter ◆ Up to 20 incremental price steps |
| <ul style="list-style-type: none"> ◆ Sub Transaction Period ◆ Calendar quarter (3 month Strips) <p>Example: 1st January to 31 March</p> | <ul style="list-style-type: none"> ◆ Minimum eligible amount ◆ A User may not apply for NTS Entry Capacity at an ASEP in an amount less than 100,000 kWh/Day <p style="text-align: right;"><i>B2.1.3</i></p> |
| <p style="text-align: center;">◆ 90% of Baseline <i>minus</i> sold Baseline (plus any unsold incremental obligated previously signalled)</p> | |

Quarterly System Entry Capacity – (QSEC)

- ◆ Held on an annual basis usually in September (can hold additional QSEC auctions for new ASEP's – ([B2.2.18](#)))
- ◆ Publish the incremental prices 60 days before the first day of the auction if there are any changes
- ◆ Invite Users to take part in the auction 28 days before the first day of the auction and specify information in line with ([B2.2.3](#))
- ◆ Carried out over 10 business days – Interim Bid Windows 08:00 – 17:00 ([B2.2.18d](#) & [B2.2.9](#))
- ◆ Allocate 2 months after date of auction closure ([B2.6.7a](#))
- ◆ Allocations are carried out in line with the IECR Methodology
- ◆ Indicative dates for this years' auction are 15th to 26th September

Invitation Letter

- ◆ Will include the following
 - ◆ Unsold Quantity by Quarter
 - ◆ Incremental Quantities & Price Steps
 - ◆ Project Costs
 - ◆ Auction Dates
- ◆ Other pertinent information
 - ◆ Where National Grid aim to play or gain permits or undertake accelerated release.

QSEC Obligations

- ◆ After each Interim Bid Window
 - ◆ Publish the prevailing Stability Group ([UNC B2.2.19](#)) for each ASEP/quarter (*clearing price in Gemini*) – where aggregate quantity applied for by Users is first equal to or less than incremental quantities offered
 - ◆ QSEC auction can close early if Stability Groups remain unchanged between interim bid windows
 - ◆ Publish the aggregate quantity bid for at all Entry points for all quarters to all Users

QSEC Obligations Continued

- ◆ After Allocation
 - ◆ By Entry Point and by quarter publish the following:
 - ◆ Volume of entry capacity allocated (baseline and incremental)
 - ◆ The relevant step price group
 - ◆ Total amount of revenue to be derived
 - ◆ Highest price accepted
 - ◆ Lowest price accepted
 - ◆ Weighted average price accepted
 - ◆ The number of users that submitted successful bids
 - ◆ The amount of obligated capacity which remains unsold

Overview of Bid Capture – Bidding Rules

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|--|--|
| <p>◆ Quarterly Firm NTS Entry Capacity Applied/registered by a User for each Day in a particular calendar quarter. <i>B2.1.4(a)</i></p> | <p>◆ Maximum number of bids³ ◆ 21 <i>B2.2.8 (b)</i></p> |
| <p>◆ User bid must specify:</p> <ul style="list-style-type: none"> ◆ User ID / BA Code ◆ ASEP ◆ Calendar year & quarter ◆ Amount¹ (kWh/Day) ◆ Minimum amount¹ ◆ Price level² (Step price i.e. P1) <p><i>B2.2.6 (a-f)</i></p> | <p>◆ Bid Window⁴ Open: 08:00 Closed: 17:00 <i>B2.2.9</i></p> |
| | <p>◆ Shipper Preferences <i>Deal>Capture>Setup Shipper Preferences</i> Example</p> <ul style="list-style-type: none"> ◆ Max Price ◆ Max Value |

¹ Not less than the minimum eligible amount

² As set out in NG NTS's Transportation Statement

³ per ASEP, per sub transaction period (i.e. calendar quarter or month).

⁴ Bids may be submitted, withdrawn or amended after 08:00 hours and until, but not after 17:00 hours.

Reports Available

- ◆ Gemini Reports
 - ◆ Some reports are shipper specific, for example, the **Capacity & Price Information** report
 - ◆ **Bid Information** to view bids placed and status ([Deal>Bid Capture>Bid Information](#))
 - ◆ Some reports can be accessed by both shippers and National Grid users, for example, the **Demand Driven Price** report ([Product>Publish Reports>MOS Results> Demand Driven Price](#))

Gemini e-training provides further information on the array of reports available.
(Please contact Xoserve)

- ◆ Web Based Reports
 - ◆ www.nationalgrid.com/uk/Gas/Data/CA

QSEC Workshop

- ◆ Invites have been sent out via the Joint Office
- ◆ Responses are required by 15th August to CapacityAuctions@uk.ngrid.com
- ◆ Only a single date will be chosen based upon responses.
- ◆ The slides presented at the workshop will be placed on the National Grid Web site after the workshop under www.nationalgrid.com/uk/Gas/Data/CA

Useful Contact Information – National Grid

- ◆ Capacity Long Term Auctions (CapacityAuctions@uk.ngrid.com)

- ◆ Chris Gumbley Senior Capacity Analyst 01926 654071
- ◆ Dave Wagstaff Capacity Analyst 01926 654045
- ◆ Kay Haycock Capacity Analyst 01926 655342

- ◆ IECR Model

www.nationalgrid.com/uk/Gas/Charges/statements/transportation/iecr/

- ◆ Mark Amos Incentive Analyst 01926 654878

- ◆ Modifications & Methodologies

- ◆ Martin Watson (martin.watson@uk.ngrid.com)
Gas Charging and Access Development Manager

- ◆ New Entry Points

- ◆ Ian Jones (ian.p.jones@uk.ngrid.com)
Connection Manager - Entry