Power NI Energy Limited
Power Procurement Business (PPB)

IME3 Compliance for 2015

Capacity Allocation Mechanisms and Changes for Entry-Exit

Business Rules for Industry Consultation

Response by Power NI Energy (PPB)

5 January 2015.

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Power Procurement Business

Introduction

Power NI Energy – Power Procurement Business (PPB) welcomes the opportunity to comment on the consultation on proposed Business Rules for Capacity Allocation Mechanisms and Changes for Entry-Exit.

PPB's responses to the questions raised in the consultation are set out below and this is followed by comments on matters not specifically listed as a question.

Responses to the specific issues upon which views and comments are sought

1: The proposals for the use of PRISMA.

PPB considers the use of a single platform for the booking and management of capacity is a sensible approach.

2: The IP Capacity products on offer.

We note the proposals reflect the requirements of the CAM. However, as we have indicated in previous responses, we consider there could be advantages in offering additional products (for example, Balance of Year, Balance of Quarter, Balance of Month) that could assist gas users in their management of capacity.

We also note that these products are "standard" products that will have a common price. We therefore query how this links to the wider code requirements that requires greater flexibility in emergency and other short term timeframes for certain capacity (in particular power station users) to provide greater flexibility than others (e.g. domestic consumers). If the capacity purchased has equal status and price, then it is unclear how any capacity can be treated differently. An alternative would be for the TSOs to purchase (or buy-back) this flexibility (interruptibility) from the power stations such that power station users are not paying the same capacity price as the wider retail customers for an inferior capacity product.

3: The arrangements for secondary trading of IP Capacity.

PPB supports the proposals to facilitate secondary trading of IP Capacity and note the intent that the original capacity holder remains liable for all payments relating to the capacity. However, it isn't clear if this applies only to capacity charges or also applies to commodity charges that relate to the gas nominated for transportation through the capacity.

It is also unclear whether parties can agree a transfer bilaterally and can then just submit a transfer proposal on the PRISMA platform. Such arrangements should be facilitated in addition to providing the facility to enable parties to post offers to buy or sell (as outlined in section 10.4). We are also uncertain whether the price agreed by the trading parties is proposed to be public. We consider the commercial arrangements should be confidential to the parties, particularly as the underlying financial liability of the “Transferror Shipper” remains unchanged by any transfer.

4: Whether or not Shippers would value a permanent arrangement in the Code for assignment of IP Entry Capacity, potentially including Quarterly IP Entry Capacity or whether a transitional arrangement for yearly IP Entry Capacity would be sufficient.

PPB considers the functionality should be provided for in the PRISMA platform that would enable assignment in addition to the shorter term transfer arrangements. The functionality would not appear to be much different and therefore it would be easier to include the functionality initially rather than seeking to add it at some later date. The timelines would need further consideration as for example rejection only being notified 1 day before the first day of the proposed assignment leaves little scope for alternative arrangements to be enacted.

5: The proposals to facilitate voluntary bundling of IP Entry Capacity.

PPB considers that the proposals to facilitate the voluntary bundling of IP Entry Capacity are sensible although the timelines may need further consideration to ensure they are practical and workable.

6: The proposal to remove the Daily Capacity product at Exit.

As we have also noted in responses to earlier consultations, PPB believes there should be equivalent Entry and Exit products and we do not see why such complementary products cannot be offered for October 2015. The existing Daily Capacity product is not a workable product and provides no real value for Shippers. However, real short term and Day Ahead and Within Day products would be valuable and meet the needs of gas users and should be implemented in parallel with the Entry products.

7: The proposal to provide a firm Exit Capacity product by over-nomination.

As we have also noted in responses to earlier consultations, PPB believes there should be equivalent Entry and Exit products and we do not see why such complementary products cannot be offered for October 2015.

The proposal to provide Exit Capacity Ratchet, does nothing to provide flexible products but merely retrospectively adjusts the Exit Capacity Booking to reflect the maximum Gas Flow Day in the year. Thus if this were to occur on the last day of the year, the liability would be the full annual cost for that increment over the previous Exit Capacity booking. In addition, this increases the liability for future years since the capacity may not be relinquishable.

This inflexibility is contrary to the ambitions of wider government policy to increase electricity generation from renewable sources which results in lower load factors and more volatile production schedules for conventional gas fired generating units. To support this required flexibility, PPB believes that Exit products must be established to mirror the Entry products and where any overrun to still occur then a daily over-run rate should then apply.

The application of the Use it or Lose it mechanism (as described in section 17.6 of the consultation paper) to exit points is unclear. The intent seems to be to stop capacity hoarding and to enable the capacity to be transferred to another shipper providing there is no decrease in capacity. However, it is not clear how this applies where the exit point is for example a single customer site (e.g. a power station) or where DNOs are booking exit capacity for all customers.

Further, the surrender rules (section 17.7) for a single site (e.g. a power station site that is closing) need to be considered as it would be perverse to seek to require the exit capacity to be retained when no consumption is possible at the exit point.

8: The proposals for a Shipper Forecast Information Request form to collect annual Shipper forecasts.

PPB considers that the proposals to collect relevant information on a single document are a pragmatic approach although it is worth noting that the accuracy of forecast data is likely to become increasingly unreliable and volatile for power station users as utilisation of generation units becomes ever more intermittent as the penetration of renewable generation increases in accordance with government policies.

9: The revisions to the arrangements for accession and registration.

PPB considers that the proposals seem sensible although the timings may need to be given further consideration.

Responses on other proposals in the consultation paper

10: Credit and invoicing for IP Capacity.

Paragraph 15.6 of the consultation paper indicated that a buyer of bundled capacity will receive two invoices for the capacity (i.e. one from the NI TSO and one from the Adjacent Transporter). It is not clear why the capacity payments cannot be made under a single invoice with the transporters resolving the allocation of payments between themselves. A further concern is that if there are two invoices with separate counter-parties then there will also be a requirement to establish and maintain two separate credit support arrangements which also adds additional complexity, overhead and costs.