

17 October 2013

Implementation of EU Regulation for Capacity Allocation Mechanisms (CAM)

Preferred Choice of Joint Capacity Booking Platform

Report on the Outcomes of the Open Letter Consultation

To: UK Market Participants, customers and other interested parties

As highlighted in the 12th July 2013 National Grid open letter, gas Transmission System Operators (TSOs) across Europe are required to implement the recently approved EU Capacity Allocation Mechanism (CAM) Regulation. The CAM Regulation is a binding set of rules and principles that govern how network capacity is sold at the interconnection points between neighbouring EU member states and aims to further integrate the EU gas market and increase competition and liquidity. The provisions of this Regulation must be implemented by 1st November 2015. One of the key elements of the CAM Regulation is that cross-border capacity should, where possible, be sold on a bundled basis and using a joint booking platform developed by the respective EU TSOs.

The National Grid open letter published on 12th July 2013, outlined how PRISMA was the joint capacity booking platform that National Grid preferred. In the open letter National Grid sort the views of stakeholders particularly those users of the existing capacity booking platform. Stakeholders were given until 20th September to respond

National Grid received 4 responses from stakeholders (ENI UK Ltd, RWE Supply & Trading Ltd, GDF Suez & Centrica). None of the respondees provided confidential responses and therefore all the received responses will be published on the National Grid website. In general, all the responses were broadly supportive of National Grid becoming a shareholder in PRISMA. Additionally, National Grid and PRISMA presented to the Ofgem/DECC EU Stakeholder forum on 6th September and no negative views were aired by those stakeholders present.

GDF Suez and ENI UK Ltd provided brief e-mail response to the open letter. GDF Suez said they were *"favourable for the adoption of PRISMA as the GB interconnection point capacity booking platform"*. Whilst ENI UK Ltd also provided a positive response saying that they *"welcome National Grid's decision to select PRISMA as their preferred choice of Joint Capacity Booking Platform"*.

Both RWE Supply & Trading and Centrica submitted more detailed responses to the consultation, in the form of individual letters. RWE Supply & Trading agreed with the National Grid conclusion *"that PRISMA offers the best technical and practical solution for meeting your [NG] CAM requirements"*. Whilst Centrica also stated they believed that *"PRISMA would be the logical choice of a joint capacity platform for National Grid"*.

RWE Supply & Trading, along with Centrica also asked for further clarification on a number of points, which we have answered below.

The desire for early participation in the PRISMA initiative should not compromise the process of finding an efficient solution to bundling capacity in GB

- We agree that early implementation of CAM should only be undertaken once all the outstanding issues around bundling capacity in GB are resolved. National Grid does not currently foresee implementation of CAM before Q4 2015

Nothing should be put in place which forces shippers to use PRISMA platform to execute secondary trades for bundled capacity

- PRISMA is currently developing the functionality to enable secondary capacity trading. This is envisaged to be an optional service for shippers to use, and shippers would not be under any obligation to use this service.

We would ask National Grid to provide formal assurance to GB shippers that they expect PRISMA to remain a not for profit company

- National Grid doesn't foresee any changes to the current structure of PRISMA. The TSOs users fund PRISMA wholly, and National Grid does not expect this to change.

We would welcome further clarification on how PRISMA will be funded and any costs incurred by National Grid controlled and managed

- Regarding the costs associated with PRISMA, National Grid has a licence obligation to manage its operations in an economic and efficient manner, if the costs of using PRISMA become excessive, we would expect to be challenged on this and could potentially find an alternative service provider.

We would welcome National Grid's views on whether PRISMA may constitute a multilateral trading facility under the Markets in Financial Instrument Directive (MiFID)

- It is currently unclear to National Grid whether PRISMA constitutes a multilateral trading facility (MTF) in relation to the Markets in Financial Instrument Directive (MiFID); however clarification on issue is expected in the coming months.

It should be clearer what constitutes a "minor change", given that PRISMA reserves the right to make minor changes without consulting shippers and considers that a change could be considered minor even if it requires a change to shipper's systems.

- PRISMA has established 'Shipper Forums' where concerns from shippers can be raised. This would be the best forum to highlight any concerns regarding PRISMA's reserved right to complete "minor changes" without consultation. National Grid would support an open consultation before changes are made.

We would like to see more concrete information from PRISMA and National Grid on how change management will work and minimum notice periods.

- With respect to providing more information on how change management and minimum notice period will work in the future. National Grid will work with PRISMA and customers during 2014/15 to ensure all issues of this nature clearly defined.

We have now completed our initial internal technical analysis, which found no undue technical reasons why National Grid could not join PRISMA. National Grid has continued to develop our relationship with PRISMA. Since the feedback from customers and stakeholders has been generally positive, National Grid intends to formally join PRISMA. It is our intention to become a shareholder in PRISMA, with that shareholding becoming effective from 1st January 2014. The proposed timings



should provide sufficient time to enable National Grid to integrate its systems with PRISMA and undertake any necessary changes to the UNC allowing the first capacity auctions to take place in Q4 2015 as required by CAM.

If you have any additional comments to make or require further information please contact National Grid via this e-mail address: europolicy@nationalgrid.com

Yours sincerely

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