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## ANNEX I U.K.

### GUIDELINES ON

2. Principles of capacity-allocation mechanisms and congestion-management procedures concerning transmission system operators and their application in the event of contractual congestion U.K.
- 2.1. Principles of capacity-allocation mechanisms and congestion-management procedures concerning transmission system operators U.K.
  1. Capacity-allocation mechanisms and congestion-management procedures shall facilitate the development of competition and liquid trading of capacity and shall be compatible with market mechanisms including spot markets and trading hubs. They shall be flexible and capable of adapting to evolving market circumstances.
  2. Those mechanisms and procedures shall take into account the integrity of the system concerned as well as security of supply.
  3. Those mechanisms and procedures shall neither hamper the entry of new market participants nor create undue barriers to market entry. They shall not prevent market participants, including new market entrants and companies with a small market share, from competing effectively.
  4. Those mechanisms and procedures shall provide appropriate economic signals for efficient and maximum use of technical capacity and facilitate investment in new infrastructure.
  5. Network users shall be advised about the type of circumstance that could affect the availability of contracted capacity. Information on interruption should reflect the level of information available to the transmission system operator.
  6. Should difficulties in meeting contractual delivery obligations arise due to system integrity reasons, transmission system operators should notify network users and seek a non-discriminatory solution without delay.

Transmission system operators shall consult network users regarding procedures prior to their implementation and agree them with the regulatory authority.

[<sup>F1</sup>2.2. *Congestion management procedures in the event of contractual congestion* U.K.]

2.2.1. *General Provisions* U.K.

1. The provisions of point 2.2 shall apply to interconnection points between adjacent entry-exit systems, irrespective of whether they are physical or virtual, between two or more Member States or within the same Member State in so far as the points are subject to booking procedures by users. They may also apply to entry points from and exit points to third countries, subject to the decision of the relevant national regulatory authority. Exit points to end-consumers and distribution networks, entry points from LNG terminals and production facilities, and entry-exit points from and to storage facilities are not subject to the provisions of point 2.2.
- [<sup>F2</sup>2. On the basis of the information published by the transmission system operators pursuant to Section 3 of this Annex and, where appropriate, validated by national regulatory authorities, the Agency shall publish by 1 June of every year, commencing with the year 2015, a monitoring report on congestion at interconnection points with respect to firm capacity products sold in the preceding year, taking into consideration

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to the extent possible capacity trading on the secondary market and the use of interruptible capacity.]

#### Textual Amendments

**F2** Substituted by [Commission Decision \(EU\) 2015/715 of 30 April 2015 amending Annex I to Regulation \(EC\) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks \(Text with EEA relevance\)](#).

3. Any additional capacity made available through the application of one of the congestion-management procedures as provided for in points 2.2.2, 2.2.3, 2.2.4 and 2.2.5 shall be offered by the respective transmission system operator(s) in the regular allocation process.
  4. The measures provided for in points 2.2.2, 2.2.4 and 2.2.5 shall be implemented as of 1 October 2013. Points 2.2.3(1) to 2.2.3(5) shall apply as of 1 July 2016.
- 2.2.2. *Capacity increase through oversubscription and buy-back scheme* **U.K.**
1. Transmission system operators shall propose and, after approval by the national regulatory authority, implement an incentive-based oversubscription and buy-back scheme in order to offer additional capacity on a firm basis. Before implementation, the national regulatory authority shall consult with the national regulatory authorities of adjacent Member States and take account of the adjacent national regulatory authorities' opinions. Additional capacity is defined as the firm capacity offered in addition to the technical capacity of an interconnection point calculated on the basis of Article 16(1) of this Regulation.
  2. The oversubscription and buy-back scheme shall provide transmission system operators with an incentive to make available additional capacity, taking account of the technical conditions, such as the calorific value, temperature and expected consumption, of the relevant entry-exit system and the capacities in adjacent networks. Transmission system operators shall apply a dynamic approach with regard to the recalculation of the technical or additional capacity of the entry-exit system.
  3. The oversubscription and buy-back scheme shall be based on an incentive regime reflecting the risks of transmission system operators in offering additional capacity. The scheme shall be structured in such a way that revenues from selling additional capacity and costs arising from the buy-back scheme or measures pursuant to paragraph 6 are shared between the transmission system operators and the network users. National regulatory authorities shall decide on the distribution of revenues and costs between the transmission system operator and the network user.
  4. For the purpose of determining transmission system operators' revenues, technical capacity, in particular surrendered capacity as well as, where relevant, capacity arising from the application of firm day-ahead use-it-or-lose-it and long term use-it-or-lose-it mechanisms, shall be considered to be allocated prior to any additional capacity.
  5. In determining the additional capacity, the transmission system operator shall take into account statistical scenarios for the likely amount of physically unused capacity at any given time at interconnection points. It shall also take into account a risk profile for offering additional capacity which does not lead to excessive buy-back obligation. The oversubscription and buy-back scheme shall also estimate the likelihood and the costs of buying back capacity on the market and reflect this in the amount of additional capacity to be made available.

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6. Where necessary to maintain system integrity, transmission system operators shall apply a market-based buy-back procedure in which network users can offer capacity. Network users shall be informed about the applicable buy-back procedure. The application of a buy-back procedure is without prejudice to the applicable emergency measures.
  7. Transmission system operators shall, before applying a buy-back procedure, verify whether alternative technical and commercial measures can maintain system integrity in a more cost-efficient manner.
  8. When proposing the oversubscription and buy-back scheme the transmission system operator shall provide all relevant data, estimates, and models to the national regulatory authority in order for the latter to assess the scheme. The transmission system operator shall regularly report to the national regulatory authority on the functioning of the scheme and, upon request of the national regulatory authority, provide all relevant data. The national regulatory authority may request the transmission system operator to revise the scheme.
- 2.2.3. *Firm day-ahead use-it-or-lose-it mechanism* U.K.
1. National regulatory authorities shall require transmission system operators to apply at least the rules laid down in paragraph 3 per network user at interconnection points with respect to altering the initial nomination if, on the basis of the yearly monitoring report of the Agency in accordance with point 2.2.1(2), it is shown that at interconnection points demand exceeded offer, at the reserve price when auctions are used, in the course of capacity allocation procedures in the year covered by the monitoring report for products for use in either that year or in one of the subsequent two years, U.K.
    - (a) for at least three firm capacity products with a duration of one month or
    - (b) for at least two firm capacity products with a duration of one quarter or
    - (c) for at least one firm capacity product with a duration of one year or more or
    - (d) where no firm capacity product with a duration of one month or more has been offered.
  2. If, on the basis of the yearly monitoring report, it is shown that a situation as defined in paragraph 1 is unlikely to reoccur in the following three years, for example as a result of capacity becoming available from physical expansion of the network or termination of long-term contracts, the relevant national regulatory authorities may decide to terminate the firm day-ahead use-it-or-lose-it mechanism.
  3. Firm renomination is permitted up to 90 % and down to 10 % of the contracted capacity by the network user at the interconnection point. However, if the nomination exceeds 80 % of the contracted capacity, half of the non-nominated volume may be renominated upwards. If the nomination does not exceed 20 % of the contracted capacity, half of the nominated volume may be renominated downwards. The application of this paragraph is without prejudice to the applicable emergency measures.
  4. The original holder of the contracted capacity may renominate the restricted part of its contracted firm capacity on an interruptible basis.
  5. Paragraph 3 shall not apply to network users — persons or undertakings and the undertakings they control pursuant to Article 3 of Regulation (EC) No 139/2004 —

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holding less than 10 % of the average technical capacity in the preceding year at the interconnection point.

6. On interconnection points where a firm day-ahead use-it-or-lose-it mechanism in accordance with paragraph 3 is applied, an evaluation of the relationship with the oversubscription and buy-back scheme pursuant to point 2.2.2 shall be carried out by the national regulatory authority, which may result in a decision by the national regulatory authority not to apply the provisions of point 2.2.2 at those interconnection points. Such a decision shall be notified, without delay, to the Agency and the Commission.
7. A national regulatory authority may decide to implement a firm day-ahead use-it-or-lose-it mechanism pursuant to paragraph 3 on an interconnection point. Before adopting its decision, the national regulatory authority shall consult with the national regulatory authorities of adjacent Member States. In adopting its decision the national regulatory authority shall take account of the adjacent national regulatory authorities' opinions.

#### 2.2.4. *Surrender of contracted capacity* U.K.

Transmission system operators shall accept any surrender of firm capacity which is contracted by the network user at an interconnection point, with the exception of capacity products with a duration of a day and shorter. The network user shall retain its rights and obligations under the capacity contract until the capacity is reallocated by the transmission system operator and to the extent the capacity is not reallocated by the transmission system operator. Surrendered capacity shall be considered to be reallocated only after all the available capacity has been allocated. The transmission system operator shall notify the network user without delay of any reallocation of its surrendered capacity. Specific terms and conditions for surrendering capacity, in particular for cases where several network users surrender their capacity, shall be approved by the national regulatory authority.

#### 2.2.5. *Long-term use-it-or-lose-it mechanism* U.K.

1. National regulatory authorities shall require transmission system operators to partially or fully withdraw systematically underutilised contracted capacity on an interconnection point by a network user where that user has not sold or offered under reasonable conditions its unused capacity and where other network users request firm capacity. Contracted capacity is considered to be systematically underutilised in particular if: U.K.
  - (a) the network user uses less than on average 80 % of its contracted capacity both from 1 April until 30 September and from 1 October until 31 March with an effective contract duration of more than one year for which no proper justification could be provided; or
  - (b) the network user systematically nominates close to 100 % of its contracted capacity and renominates downwards with a view to circumventing the rules laid down in point 2.2.3(3).
2. The application of a firm day-ahead use-it-or-lose-it mechanism shall not be regarded as justification to prevent the application of paragraph 1.
3. Withdrawal shall result in the network user losing its contracted capacity partially or completely for a given period or for the remaining effective contractual term. The network user shall retain its rights and obligations under the capacity contract until the capacity is reallocated by the transmission system operator and to the extent the capacity is not reallocated by the transmission system operator.

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4. Transmission system operators shall regularly provide national regulatory authorities with all the data necessary to monitor the extent to which contracted capacities with effective contract duration of more than one year or recurring quarters covering at least two years are used.]

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**Textual Amendments**

- F1** Substituted by [Commission Decision of 24 August 2012 on amending Annex I to Regulation \(EC\) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks \(Text with EEA relevance\) \(2012/490/EU\)](#).

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**Changes and effects yet to be applied to the whole legislation item and associated provisions**

- Signature words omitted by [S.I. 2019/530 Sch. 2 para. 18](#)
- Art. 6(1)(d) words substituted in earlier amending provision S.I. 2018/1286, reg. 10 by [S.I. 2020/1016 reg. 2\(5\)\(a\)](#)
- Art. 6(1)(h) words substituted in earlier amending provision S.I. 2018/1286, reg. 10 by [S.I. 2020/1016 reg. 2\(5\)\(b\)](#)
- Art. 16(2)(c) substituted by [S.I. 2019/530 Sch. 2 para. 7\(2\)](#)
- Art. 28A28B inserted by [S.I. 2018/1286 reg. 14](#)
- Art. 30A30B substituted for Art. 30 by [S.I. 2019/530 Sch. 2 para. 16](#)