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Consultation on the ZIGMA Model

Dear Lucy,

Thank you for the opportunity to provide views on the proposed Zigma model designed to incorporate the implementation of the EU network codes on balancing and capacity allocation.

Centrica is broadly supportive of the model concept, and believe that it may help with market trading and efficiency. We are very keen to remain involved as the next layer of detail is developed.

Questions

1. What is your general feedback on ZIGMA?

ZIGMA represents a significant change to the existing arrangements and will raise issues for shippers about the value as the details are developed. We recognise that the transmission operators have to respond to the regulatory challenges, and the concept model seems to represent a reasonable approach to meeting the regulatory and user requirements.

We hope that the arrangements will enhance activity and support the continuity of this important trading area.

2. *Do you agree that the proposed balancing model is compliant with the BAL network code?*

We are not in a position to fully assess compliance with the BAL network code, but consider that the proposals represent a sensible interpretation. Centrica supports cost reflective balancing, and the agent remaining as a residual balancer with well understood rules. Shippers will, of course require, information flows that enable it to react ahead of any balancing agent activity.

3. *We are evaluating whether the balancing contract is a separate contract or within the IUK Access Agreement (IAA). Do you have a preference?*

Ordinarily we would prefer balancing services to form part of the standard transmission contract. However, we recognise that given the complexities of bringing together a number of TSOs and the development of OBAs, it may be necessary to use a separate contract.

4. *The Concept Document meets the requirements in article 26 (4) of BAL to consult stakeholders on within day obligations (WDO). Do you agree that the WDOs detailed in Appendix 4 are an appropriate set of WDOs?*

We consider that the WDOs detailed in Appendix 4 are sufficient. Further clarity on the conditions and parameters of the 'high physical demand' scenario leading to the curtailment of nominations will be useful for shippers to assess the firmness of the trading point and the potential value of flexibility services.

5. *Do you agree that the proposals set out in Sections 3,4, and 5 are compliant with the CAM network code?*

Our main concern in this area is the treatment of surrendered bundled capacity. We consider that, consistent with ACER guidance on CAM implementation (page 7,8), such capacity should not be unbundled through the auction process. The effect of any unbundling would be to subject surrendering shippers to additional risk and thereby undermine any incentives to participate.

6. *The Concept Document meets the requirements in article 8(9) of CAM to consult stakeholders on the capacity to be set aside for short-term auctions. Do you support the quantity of capacity defined in sections 3.4.5 and 4.4.3 of the concept document?*

The approach seems appropriate.

7. *Do you support the proposal that surrendered capacity that is not reallocated in an auction is not automatically rolled forward to future auctions?*

This approach seems appropriate.

8. *Do you have any other feedback on the concept document?*

No.

Thank you again for the opportunity to comment. We look forward to the final decisions on the way forward and the detailed development discussions with the respective TSOs.

If you have any questions about this response, I can be contacted at Adam.Cooper1@centrica.com or by phone on 07557614458.

Yours sincerely

Adam Cooper
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