

EU/GB Charging Project – Delivery Timescales



March 2018

Delivery Timelines

- Development of EU/GB Change Roadmap for Charging began summer 2017
 - Project teams formed between NG & Xoserve
 - Acceptance that we would have to “work at risk” – i.e. implementation would begin before detailed requirements agreed
 - Need for Change Requirements is built into the programme

Delivery Timelines

- Implementation programme formally began in January 2018
 - Start date required to ensure ability to deliver for early 2019
- Project split into 2 Phases
 - **Phase A** aims to deliver required changes for first half of 2019 to facilitate Annual Auction in July 2019
 - **Phase B** aims to deliver remainder of required changes for October 2019 gas year
- Splitting project allows flexibility to incorporate changes associated with alternates if required

EU/GB Charging Project – Delivery Timescales

Part A

Analysis &
Design (Jan to
Apr 18)

Build (May/
June 18)

Testing (July to
Oct 18)**

Implementation
(Nov18)

Part B

Analysis &
Design (May to
Aug 18)

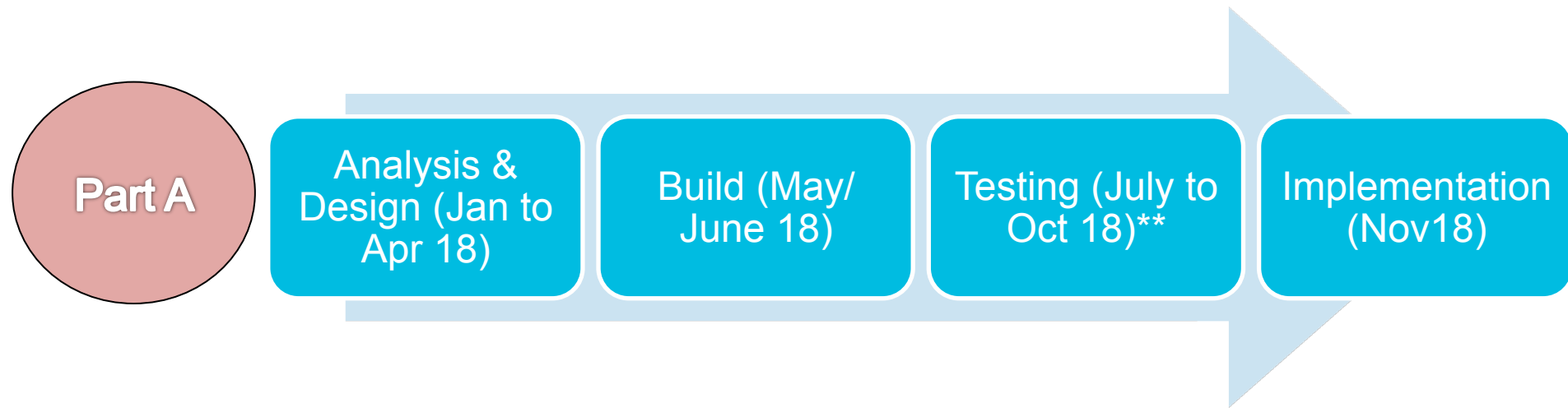
Build (Sept 18
to Jan 19)

Testing (Feb to
July 19)

User Trials
(July/August
19)

Implementation
(Sept 19)

EU/GB Charging Project – Delivery Timescales



- Focussed on
 - Systems changes required for setting up Annual Auction
 - Transparency requirements
 - Assumes all long-term auctions prior to **31 May 2019** are under existing rules

EU/GB Charging Project – Delivery Timescales

- Focussed on all remaining system changes, including
 - Fixed/floating rules at all points
 - Treatment of historic capacity and new allocations
 - New charge types etc.
- Delay in Analysis & Design in Phase B allows all alternates to be considered

Part B

Analysis &
Design (May to
Aug 18)

Build (Sept 18
to Jan 19)

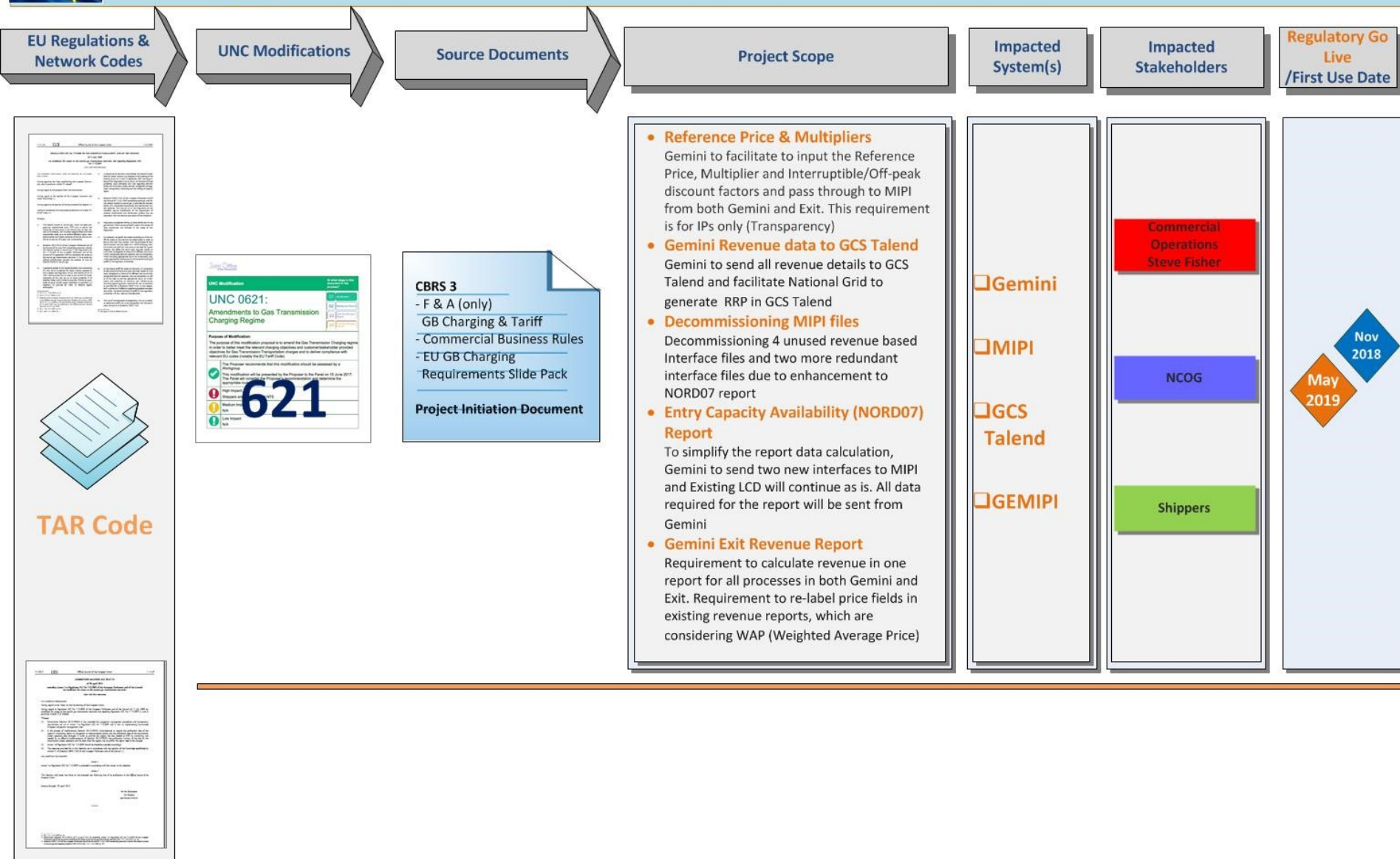
Testing (Feb to
July 19)

User Trials
(July/August
19)





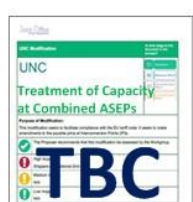


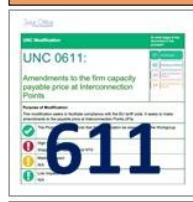
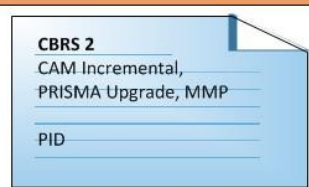


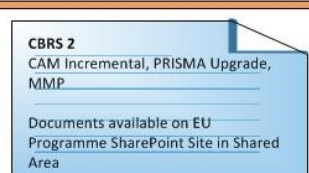
Implementation
(Sept 19)

EU/GB Charging Project – Impact of Alternates

- Requirements gathering for system changes has considered impact of alternates
- System changes have been designed to incorporate a degree of flexibility to allow for possible outcomes for approved solutions
- Some alternates have no system impacts on NG proposed approach (e.g. storage discount 50% or 86%)
- Latest alternates shall be assessed as part of Phase B and may require a formal Change to current project
 - Such requirement has been allowed in planning of project



Gas Regulatory Change Programme GB Charging and Incremental (IP PARCA) Capacity Allocation Change (2019) – Part B

EU Regulations & Network Codes	UNC Modifications	Document References	Project Scope	Impacted System(s)	Impacted Stakeholders	Regulatory Go Live /First Use Date
			<ul style="list-style-type: none"> Pricing of different types of Capacity 2 Mods that incorporate GB Charging 621 and TBC Some system change necessary for GB charging and some for Tariff Code <p>Content:</p> <ul style="list-style-type: none"> Fixed/floating prices – payable price for entry capacity Reference Price & Multipliers – new Reference price methodology Tariff – Interruptible/Off peak Capacity – discount based on the firm capacity products 	<ul style="list-style-type: none"> Gemini MIPI GCS UK Link GEMIPi 	<ul style="list-style-type: none"> Commercial Operations Steve Fisher GNCC Glenn B-J Xoserve Invoicing Shippers MCG Charging 	<ul style="list-style-type: none"> April 2017 Jan 2019 May 2019 Sept 2019 Oct 2019
			<ul style="list-style-type: none"> New mod to be raised for GB Charging Mod number to be confirmed Split ASEPs may need to be considered 	<ul style="list-style-type: none"> Gemini MIPI GCS UK Link GEMIPi 	<ul style="list-style-type: none"> Commercial Operations Steve Fisher GNCC Glenn B-J MCG Charging Ops Liaison NG Finance Xoserve Invoicing Shippers 	<ul style="list-style-type: none"> TBC TBC
			<ul style="list-style-type: none"> Mandatory Minimum Premium Price to pass NVP test MMP Entry into force 1st April 2017 <p>Comments:</p> <ul style="list-style-type: none"> MMP system change linked with Stage C Incremental Capacity change First use date now out to 2019 after 2017 Market Demand Window Closed No ENTSG Transparency Platform impacts 	<ul style="list-style-type: none"> Gemini MIPI GCS 	<ul style="list-style-type: none"> Commercial Operations Steve Fisher Ops Liaison Jon Davies Shippers Invoicing Xoserve Contracts Craig Dyke 	<ul style="list-style-type: none"> April 2017 Q4 2019/ Q1 2020
			<ul style="list-style-type: none"> System change required to allocate and reserve IP PARCA capacity on Gemini including substitution from non IPs <p>Comments:</p> <ul style="list-style-type: none"> Process change (Stages A & B) Non system process/procedure governed by Business Readiness Group 			

*CBRS = Change, Business Requirements and Solutions Document

Please direct any queries to: Box.GasOps.BusinessC@nationalgrid.com

Version: DRAFT 2/3/18
Please note this document is subject to change

Dual Reconciliation Mechanisms



March 2018

Dual Reconciliation Mechanisms

- Dual Reconciliation Mechanisms – situations where one reconciliation rule is applied to some capacity, and another reconciliation rule is applied to the rest of the capacity.
- Such a situation exists under Proposal 0621 in the enduring arrangements for Storage
 - Capacity obtained under Historical Contracts will not pay a capacity-based Revenue Recovery charge
 - Any Fully Adjusted Entitlements in excess of the Historical Contract Capacity will pay a capacity-based Revenue Recovery charge.
- Reminder: Historical Contract is defined as ‘...entry capacity... allocated up to and including the end of the month in which Ofgem issues direction to implement’

Example (Storage > Oct 21)

Capacity	Amount
Registered _{Historical}	300
Registered _{Non-Historical}	100
Transfer	-50
Surrender	0
Net entitlements	350

- The general rule for sites in the enduring (post October 2021) arrangements is to pay capacity-based Revenue Recovery on the Fully Adjusted entitlements i.e. 350.
- For Storage:
 - exempt quantity = Historical Contracts = 300
 - capacity-based Revenue Recovery = $\max(350-300,0) = 50$

2nd Example (Storage > October 2021)

Capacity	Amount
Registered _{Historical}	0
Registered _{Non-Historical}	0
Transfer	50
Surrender	0
Net entitlements	50

- Only capacity registered in an auction is captured by the definition of Historical Contracts.
- For Storage, the exempt quantity should be considered:
 - exempt quantity = Historical Contracts = 0
 - Capacity-based Revenue Recovery = $\max(50-0,0) = 50$

Similar arrangements for IPs?

- National Grid is considering similar arrangements for the IPs during the transition period (October 2019 – September 2021)

Site	Storage	Interconnection Point
Period	Enduring (2021 onwards)	Transition (2019-2021)
exempt* quantity	Historical Contracts	Existing Contracts
Charge on exempt quantity	None	Flow based (commodity)
Charge on any further capacity	Capacity-based Revenue Recovery	Capacity-based Revenue Recovery

- A case for exemption from the capacity-based Revenue Recovery can only be made for Existing Contracts (rather than Capacity allocated in Historical Contracts)
- Reminder: Existing Contracts is entry capacity allocated before 6 April 2017 (Entry into Force of EU Tariff Code)

*Exempt from capacity reconciliation

Example (IP October 2019 – September 2021)

Capacity	Amount
Registered _{Existing}	300
Registered _{Non-Existing}	100
Transfer	-50
Surrender	0
Net entitlements	350

- exempt quantity = Existing Contracts = 300
 - This can be treated as an allowance. So a commodity (flow-based) charge will be applied on allocations up to 300.
 - No commodity charge will be levied on flow above this, but further capacity will need to be acquired to avoid an overrun.
- Capacity-based Revenue Recovery = $\max(350-300,0) = 50$

Dual Reconciliation Mechanisms - Conclusion

- We welcome feedback on the approaches proposed
- In particular, we are aware that other Proposals (e.g. 621E) also have dual reconciliation mechanisms. We would welcome further bilateral discussions with any proposer whose Proposal has such a mechanism.