

# National Grid – Transmission Workgroup Slide Pack



7<sup>th</sup> June 2018

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# Revenue Recovery at combined ASEPs

- Pre-modification Discussion

## UNC Mod 0621: Revenue Recovery

- **Transmission Services revenue recovery mechanism:**
  - **IPs:** Capacity based at non-IPs from **Oct'19**
  - **Non-IPs:**
    - Flow based at non-IPs **Oct'19** to **Sept'21**: Storage sites exempt
    - Capacity based at non-IPs from **Oct'21**: Historical Contracts for Storage sites exempt (or all Historic dependent on alternate)

## Issue at Combined ASEPs

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- Rules for storage arising from 0621 can only apply to points identified as storage points in the Transporters' Licence
- Storage sites within ASEPs will not be “recognised” as storage points with respect to exemption of capacity based revenue recovery charges

## Issue at Combined ASEPs

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- Issue arises with historical capacity bought within an ASEP solely to de-risk storage projects that were later abandoned.
- This unused and “abandoned” capacity currently does not attract the commodity TO revenue recovery charge but any such capacity associated with IPs will incur the proposed capacity based charge from **1 October 2019** as part of 0621

# Proposed Mod for Treatment at Combined ASEPs

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- This Mod seeks to develop a solution that will exempt such capacity from the revenue recovery charge and **align its treatment with historic storage capacity at recognised storage points**
- The proposed Mod shall focus only on capacity associated with abandoned projects at Interconnection Points as in the period of **Oct'19** to **Sep'21** only these points will have a capacity based revenue recovery charge
- The Mod recognises that some capacity bought at Bacton for now abandoned storage projects may have been reallocated to Bacton IP following implementation of UNC 0501

# Proposed Mod for Treatment at Combined ASEPs

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- The proposed solution shall retain the fungibility of existing allocated capacity
  - It shall focus only on the calculation any capacity based revenue recovery charge
- Consideration will be given to “redundant” capacity at non-IPs at a later date as any revenue recovery charge shall be based on flows until **Oct'21**

# Possible solution for Treatment at Combined ASEPs

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- Under 0621 the proposed capacity based revenue recovery charge shall be based on “fully adjusted capacity”
- Proposed solution shall be based on an adjustment to the calculation of “fully adjusted capacity” by including a new parameter of “***exempt quantity***”
- Identification of “***exempt quantity***” to be based on a shipper application process plus additional documented evidence of capacity booking requirement associated with the abandoned project.
- This shall be a transitional arrangement as PARCA should prohibit such situations in the future

## Proposed Calculation

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$$F_{RR} = \max(0, (F_{adj} - \max(0, A - T_{out})))$$

Where,

- $F_{RR}$  = User's fully adjusted capacity qualified for revenue recovery
- $F_{adj}$  = User's net capacity entitlement (Registered capacity adjusted for transfers in and out)
- $A$  = Abandoned Capacity as identified through an application and assessment process
- $T_{out}$  = Net transfers out (trades, surrenders, buybacks, options etc..)

# Possible solution for Treatment at Combined ASEPs

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- It is aimed that this Mod shall be implemented along with 0621 with an implementation date of **1 October 2019**.
- To ensure delivery, the possibility of such a Mod has been incorporated into the EU/GB Change Project that shall deliver UNC 0621 (or its alternate)

## How to identify “abandoned” capacity

- Main challenge is how to identify “abandoned” capacity.
  - In addition to shipper application some documentary evidence shall be required
  - One possible approach is to check against the existence of Feasibility Study Agreements signed with National Grid and their associated Feasibility Study Reports for any unrealised storage projects.
  - National Grid may be able to map capacity booked for the purposes of derisking a prospective storage project with its Feasibility Report. (e.g. when allocation took place, quantities, duration....)

## Key questions

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- Is technical solution acceptable?
  - Don't touch capacity but only adjust the calculation for revenue recovery
- Is concept of “abandoned storage capacity” acceptable?
  - How best to assess level of abandoned capacity?
    - Is mapping to Feasibility Studies sufficient?
  - What is verification process around this (e.g. governance, audit....)?

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# EU update

# Changes to EU Gas Network Codes

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- The EC asked ENTSOG and ACER to develop lists of potential changes to the EU Gas Network Codes
- The focus was on improving definitions, providing greater clarity and removing out of date clauses
- Following assessment of the potential changes and in particular the possible timing of such a process, **EC came to the conclusion not to pursue the initiative at this stage**
- EC envisages picking this up at a later stage in the context of preparing legislative proposals for gas in 2020

# EU Data Exchange

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- At the last meeting, we alerted the Workgroup to a joint ACER / ENTSOG consultation about whether to expand the application of the Common Data Exchange Solutions to virtual trading points and storage points via an amendment to the EU Interoperability Network Code
- At our request, the Joint Office forwarded a link to this consultation to the industry on 21st May 2018
- This consultation will close on 13<sup>th</sup> June 2018
- National Grid will be submitting a response which we will share with the Workgroup
- We would encourage GB market participants (especially storage operators) to note this consultation and to submit a response

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# Gas Regulatory Change Programme Update

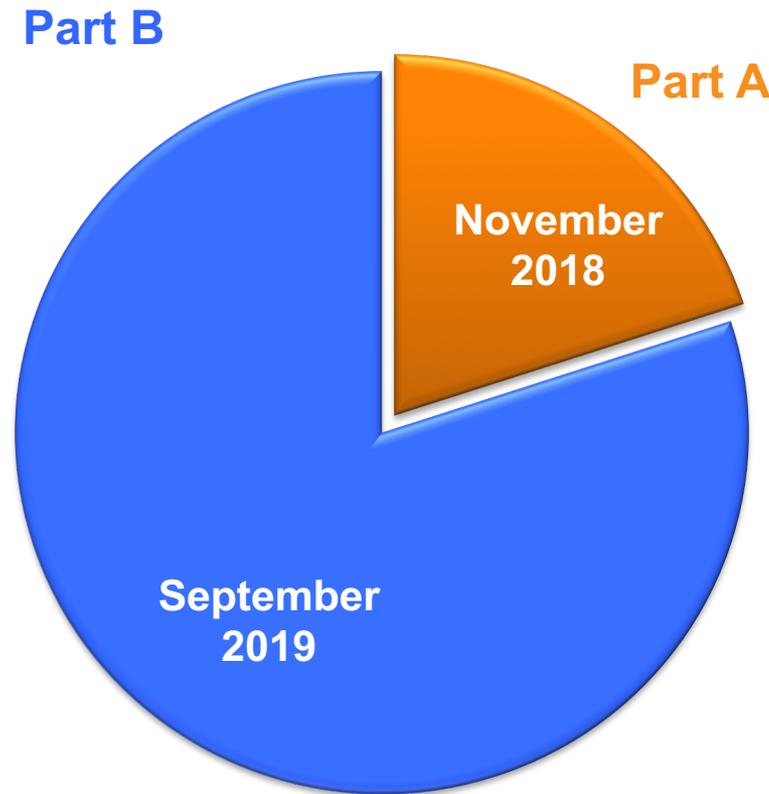
- EU/GB Charging 2019 and Gemini Sustain

# EU/GB Charging Programme Update

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- In January 2018 National Grid commenced a project to deliver the changes related to the obligations set out in the EU Tariff Code and the GB Charging Review
- Due to the size and complexity of the obligations to be delivered a dual implementation approach has been adopted
- **Part A** is on track and is moving into the testing phase of the project
- **Part B** is going through the Analysis and Design phase; a number of workshops to identify requirements have taken place and solution workshops are running until early July

# EU/GB Charging 2019 Project – Scope Split Parts A & B



(interim)

Status: On Track

Status: On Track

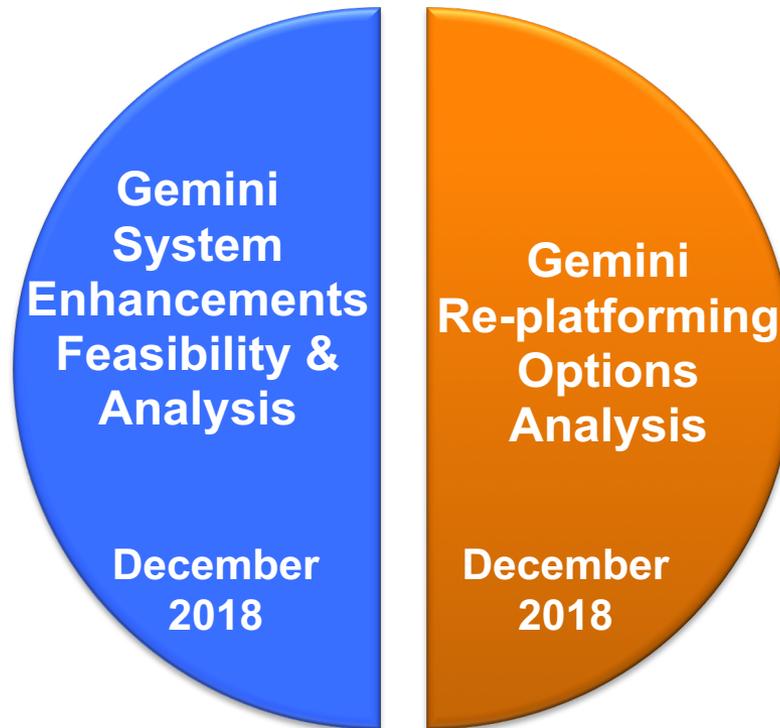
# Gemini Sustain Programme Update

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- Gemini is currently operating on aging hardware and infrastructure software. National Grid's strategy is to sustain Gemini in its current form for the remainder of RIIO-T1 , with a view to replacing in RIIO-T2. This is being progressed under the **Gemini Re-platforming Project**.
- National Grid has sought feedback from customers on the difficulties experienced with Gemini, which has generated a number of potential system enhancements. These are being prioritised and potential system solutions identified under the **Gemini System Enhancements Project**.

# Gemini Sustain Programme Scope

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agenda

Status: On Track

Status: On Track

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# Workgroups 628s and 629s - Project CLOCC

- 628s – Standard Design Connections: PARCA process
- 629s – Standard Design Connections: A20 connection process

# Project CLoCC

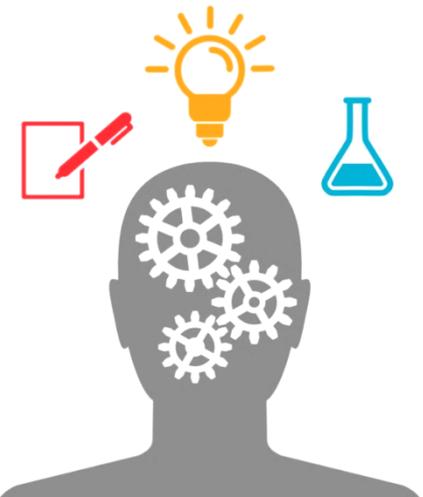
Customer Low Cost Connections

**NETWORK INNOVATION COMPETITION PROJECT:**

**CUSTOMER LOW COST CONNECTIONS (CLOCC)  
– MOD 0628S DEVELOPMENT**



**Nicola Lond  
Commercial Lead**



**TWO JULY 2018**

## Mod 0628s – Actions update

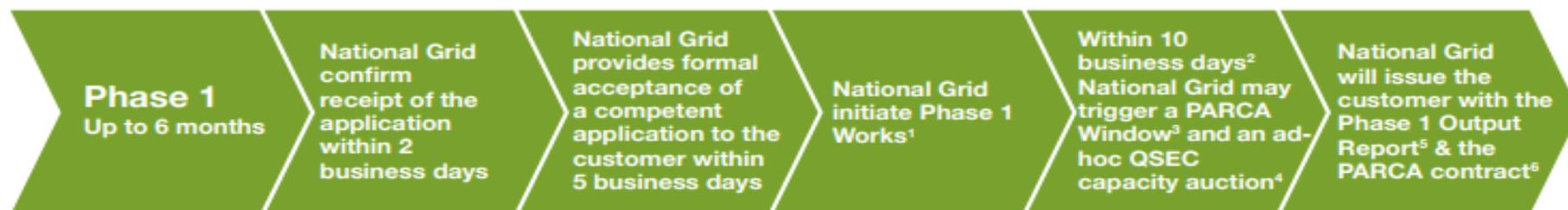
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Action Ref	Action	Update
0501	Update Modification	Updated Mod.
0502	Update Process flow for workgroup report plus provide timeline/examples for how process works now and how it will work.	Updated and provided for Workgroup report. This is covered on the following slides.
0503	Update Legal Text	Updated
0504	Make any embedded docs into appendix	Completed in updated mod
0505	Investigate re publication of indicators.	Covered in following slides

# Mod 0628s – Timelines

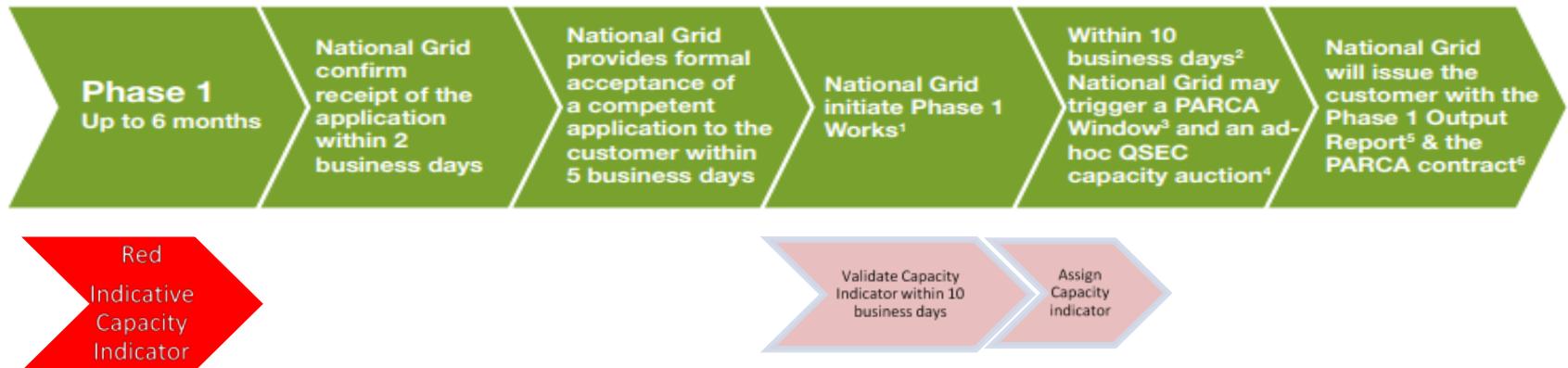
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## A: Existing Timeline



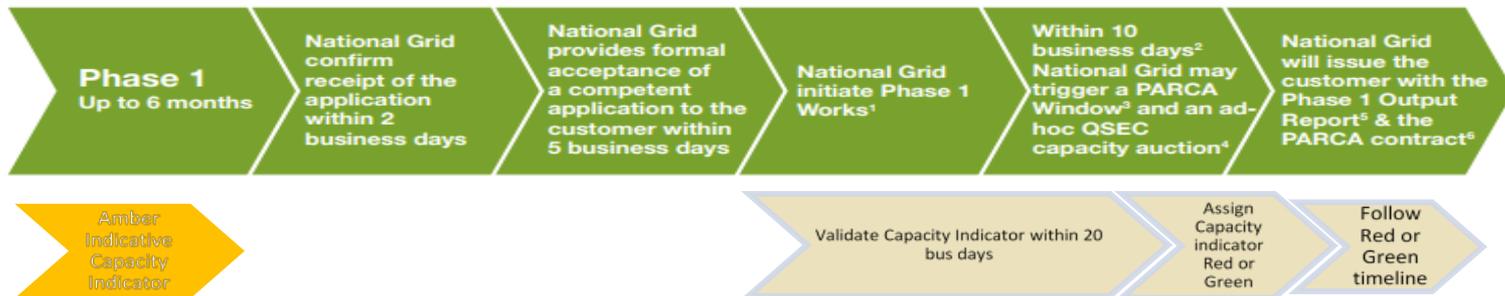
# Mod 0628s – Timelines

## B: Red Capacity Indicator Timeline

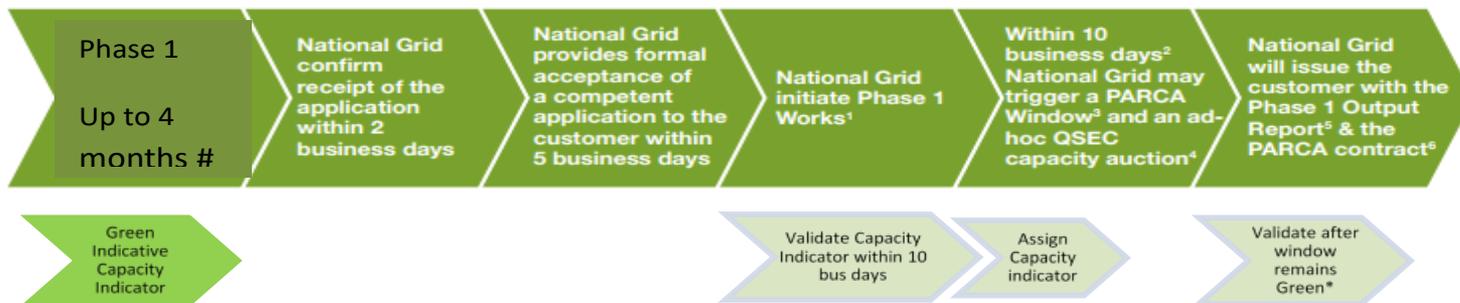


# Mod 0628s – Timelines

## C: Amber Capacity Indicator Timeline



## D: Green Capacity Indicator Timeline



# issue Phase 1 PARCA within 3 months if the Window is closed after 20 business days for a Green Capacity Indicator assigned PARCA.

\*If Red follow Red timeline

## Mod 0628s – Publication of indicators

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- National Grid does not intend to publish Capacity Indicators for PARCA applications.
- We do not currently publish all data relating to PARCA applications as may be commercially sensitive.
- We do not publish location which the capacity indicator relates to.
- Benefit of publication unclear

## Mod 0628s – Legal Text

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- Legal Text updated
  - B1.15.10
  - Y45 a iii
  - In context of all PARCA section B.

# Mod Timetable – Next Steps/Planning

ITEM	0628s		
Initial consideration by Panel	2 November 2017		
Modification considered by Workgroup	November 2017 – May 2018		
Workgroup Report presented to Panel	21 June 2018		
Draft Modification Report issued for consultation	22 June 2018	WORKGROUP	Suggested Items for Discussion
Consultation Close-out for representations	13 <sup>th</sup> July 2018	November	Initial Discussion – Process proposed
Final Modification Report available for Panel	16 <sup>th</sup> July 2018	December	Process discussion
Modification Panel decision	19 <sup>th</sup> July 2018	January	Fee discussion
		February	Business Rules/ Solution proposed
		March	Legal Text proposed
		April	Legal Text ( <u>WebEx</u> if required)
		May	Legal Text & Workgroup Report
		June	Workgroup Report Finalisation

# Project CLoCC

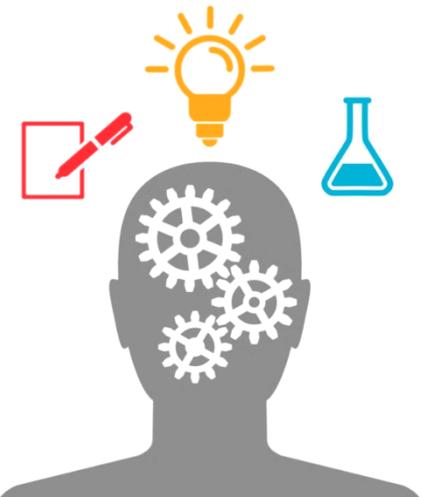
Customer Low Cost Connections

**NETWORK INNOVATION COMPETITION PROJECT:**

**CUSTOMER LOW COST CONNECTIONS (CLOCC)  
– MOD 0629S DEVELOPMENT**



**Nicola Lond  
Commercial Lead**



**TWO JULY 2018**

## Mod 0629s – Actions Update

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Action Ref	Action	Update
0501	Update Legal Text	Updated
0503	Re-word Point 12 in Workgroup Report	under review
0504	Consider Relevant Objective point a	Updated in Mod

## Mod 0629s – Standard Design Connections: A20

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- Legal Text Updated for Review
  - V13.5.1
  - Y 2.12 removed

# Mod Timetable – Next Steps/Planning

ITEM	0629s		
Initial consideration by Panel	2 November 2017		
Modification considered by Workgroup	November 2017 – May 2018		
Workgroup Report presented to Panel	21 June 2018		
Draft Modification Report issued for consultation	22 June 2018	WORKGROUP	Suggested Items for Discussion
Consultation Close-out for representations	13 July 2018	November	Initial Discussion
Final Modification Report available for Panel	16 July 2018	December	Section V - process
Modification Panel decision	19 July 2018	January	Section Y - charging
		February	Business Rules/Solution proposed
		March	Legal Text proposed
		April	Legal Text cont. ( <b><u>Webex if required</u></b> )
		May	Legal Text / Workgroup Report
		June	Workgroup Report Finalisation

# Project CLoCC

Customer Low Cost Connections

[www.projectclocc.com](http://www.projectclocc.com)

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# Gas Industry Change Plan

- Discussion of Concept at Transmission Workgroup

# Recap of Background

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- The *Gas Industry Change Plan* seeks to take the next step in our future of gas programme, by establishing a long term, stakeholder backed programme of strategic change
- The *Gas Industry Change Plan* is about more than just regulatory change. It could be driven by a number of future developments such as UNC or licence changes, major consultations, new industry processes or frameworks, policy developments ...
- The plan is not a firm view of our work programme. It will include triggers and interdependencies and is designed to facilitate an open discussion about the future.
- For this reason it is foreseen to be a “living plan”, managed and changed collaboratively with stakeholders
- We intend to share the concept of the plan in our RIIO-T2 stakeholder panel in July 2018

# Draft Gas Industry Change Plan Topics (1/2)

*(Example ideas for discussion shown for illustrative purposes only)*

Potential change project	Future of Gas Theme	By When?	Potential Triggers
<b>EU REGULATORY CHANGE</b> New gas package - the EC is currently studying the gas market in advance of potential new EU gas market rules which could come into force from 2020		2020-2025	New EU regulations
<b>GAS QUALITY SPECIFICATION CHANGES</b> Modifications to the current gas quality arrangements in response to the changing nature of NTS gas supplies	A) Decarbonisation of Heat B) Decarbonisation of Transport C) Decarbonisation of Industry D) Future Networks & Markets E) Whole Energy System	2020-2022	Market developments / signals
<b>HYDROGEN (incl. Carbon Capture Utilisation and Storage)</b> How a hydrogen market would operate, required regulatory framework, role of National Grid and what infrastructure would be required. This could include 100% hydrogen, NTS blends or no change for the NTS		2023-2029	Policy decision
<b>PROJECT CLOCC /FUTURE CONNECTIONS</b> Understand future evolution of Project CLoCC and how we will enable diverse sources of gas and gas demand to connect to the NTS	A) Decarbonisation of Heat B) Decarbonisation of Transport C) Decarbonisation of Industry D) Future Networks & Markets	2021-2029	Potential for shale to be seen on NTS in 2021 Customer signals Innovation funding
<b>NETWORK INVESTMENT AND PLANNING</b> Understanding the best way to invest to maintain network capability, including how we potentially re-use/decommission parts of the NTS if flow patterns change in future. This could include CCUS, hydrogen or other new technologies	A) Decarbonisation of Heat D) Future Networks & Markets E) Whole Energy System	2021-2023	Legislation. Successful technology innovation
<b>WHOLE ENERGY SYSTEM</b> Developing services which develop the gas, electricity, transmission and distribution systems in a mutually beneficial manner, considering the interactions and dependencies between them, e.g. power to gas, reverse flow, NTS as an energy store	A) Decarbonisation of Heat D) Future Networks & Markets	2023-2029	Gov/Ofgem policy
<b>NATURAL GAS VEHICLES</b> refuelling stations connected to NTS and incremental gas flow implications from both NTS- and DN-connected refuelling stations.	B) Decarbonisation of Transport D) Future Networks & Markets	2021-2029	Ofgem approval Market research
<b>COMPRESSORS</b> Assessment of options to deliver changes to the way we use our compressors e.g.: 1) ensure we meet the requirements of the Industrial Emissions Directive (IED) 2) provide future operational flexibility 3) enable effective decommissioning	D) Future Networks & Markets E) Whole Energy System	By 2023	Legislation GFOP - ability to manage the system effectively
<b>WITHIN DAY SUPPLY AND DEMAND VOLATILITY</b> Options to address operational issues associated with this, including a potential review of the balancing regime if ability to balance declines		2022-2025	GFOP - ability to meet contractual pressures in a range of scenarios by 2025

# Draft Gas Industry Change Plan Topics (2/2)

*(Example ideas for discussion shown for illustrative purposes only)*

Potential change project	Future of Gas Theme	By When?	Potential triggers
<b>GAS QUALITY INFORMATION</b> Explore opportunity to provide new or additional within-day gas quality information at entry points, exit points, compressor stations or zonally	D) Future Networks & Markets	2021-2029	Customer signals
<b>GAS QUALITY BLENDING</b> Explore opportunities to support customer gas flows through the provision of blending services. This could take place at entry, exit or within the network, either commercially or physically		By 2022	Customer feedback/signals OGA reports FOG commitment
<b>ENTRY CAPACITY</b> Ensure that the capacity arrangements are able to optimise existing capacity and rules. In the future this could include modified concepts such as zonal or point to point arrangements, new non CAM products.		By 2024	Market and regulatory signals
<b>CAPACITY BASELINES</b> Ensuring that capacity baselines arrangements are fit for purpose and do not create inefficient investment costs. In the future this could include a review to ensure that the arrangements are compatible with new arrangements such as hydrogen production		2021-2024	Market and regulatory signals
<b>CHARGING</b> Continue to evolve the gas charging framework to ensure that it allows the market to function and is suitable for how the network is expected to be used. This may include a review of the 50/50 split or charging based solely on entry or exit capacity, review of commodity charges etc.		2021-2029	Ofgem impact assessment and decision on current charging review
<b>FUTURE OF GEMINI</b> Review the requirements of a future Gemini system and deliver new products and services fit for the future of the gas market, including innovative solutions.		2022-2024	Technology shifts
<b>SIMPLIFICATION OF MARKET FRAMEWORKS</b> Seek to simplify the market arrangements so they are not a barrier to entry, and change can be introduced in an agile way		2021-2029	Customer feedback
<b>BREXIT</b> Change driven by the UK's exit from the EU		2020-2023	UK law
<b>PRESSURE SERVICES</b> Explore potential for pressure services entry and exit - this could include a review of the role of NTS linepack, reverse flows, inter seasonal storage and new tools to manage pressure fluctuations in normal or abnormal circumstances		2021-2029	Customer feedback/signals
<b>DIGITAL SERVICES</b> Exploration of how we can digitally transform our services		2021-2029	Customer feedback Technology development

# Potential framework options for discussion

## Joint Office: Industry Review Group

- Joint office led engagement shipper focussed, how to engage wider stakeholders?

## Joint Office: Transmission Workgroup

- Joint office led engagement shipper focused, how to engage wider stakeholders?
  - Requirement for longer term strategy focus

## Energy Networks Association: Gas Futures Group

- Potential to include DN strategic change - manageable?
- Requirement for new stakeholder advisory group or representation?

## National Grid: Future of Gas Stakeholder Panel

- Potential for informal stakeholder advisory group
- Could add various layers of formality to support transparency/process?
  - Published on nationalgrid.com?

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