

Reform of gas allocations regime at Interconnection Points UNC Modification 0510



First Workgroup meeting
September 2014

Current GB Gas Allocations Arrangements

- Shippers have the UNC obligation to submit their gas allocations to National Grid NTS
- Allocations at NTS entry and exit points must in aggregate be equal to the measured flow each day
- At the Interconnection Points, allocation agents discharge this UNC obligation on behalf of shippers

Why Change?

- The (draft) EU Interoperability Code requires adjacent TSOs to agree several mandatory interconnection agreement terms including ‘rules for the allocation of gas quantities’
- The ‘default’ allocation rule is OBA (allocate as nominate) should the adjacent transporters fail to agree an allocation rule
- Allocate as nominate with OBA is also obligatory should a request be made for this rule by one of the adjacent TSOs
- National Grid NTS’ adjacent TSOs consider such a reform to be appropriate
- Some GB shippers have expressed support for such arrangements to be introduced at the IPs

OBA principles

- An Operational Balancing Account (OBA) is an account between adjacent TSOs, to manage 'steering differences' at an IP
- The difference between aggregated confirmed (nomination) quantities for the Gas Day and measured gas flow for the Gas Day is the steering difference
- The 'OBA balance' is a cumulative steering difference - sum of the steering difference carried over from D-1 and the steering difference for the current Gas Day
- in an exceptional event, or where the difference between physical and commercial quantities cannot be accommodated by an adjacent TSO, having regard to the OBA, allocate as measured may apply

Aims of the Modification

- To introduce TSO-shipper allocation at the IPs
- To facilitate allocate as nominate at the IPs
- Changes to TPD Section E envisaged
- Mod approval by Ofgem in good time for implementation in October 2015
- Operational management rules for the OBA are being developed in parallel bilaterally between National Grid NTS and its adjacent TSOs for inclusion within the Interconnection Agreements

Allocations and OBA Framework Development

– National Grid NTS’ initial views

| Item | Description | IA | UNC |
|--|--|----|-----|
| Allocation Principle | Allocate as nominate – National Grid allocates shippers at the IPs equal to their confirmed quantities/confirmed nominations | ✓ | ✓ |
| Steering Difference | The difference between net aggregate confirmed quantities for the Gas Day and measured gas flow for the Gas Day | ✓ | ✓ |
| Cumulative Steering Difference/ OBA balance | The sum of the steering difference carried over from D-1 and the steering difference for the current Gas Day | ✓ | ✓ |
| Steering Tolerance | The allowed tolerance on the cumulative steering difference (to be agreed between the adjacent Transporters), i.e. the allowed difference between confirmed quantities and actual gas flow | ✓ | ✓ |
| Options for Steering Tolerance breaches | <ul style="list-style-type: none"> • ‘Minor’ breaches that can be steered back within the steering tolerance; and • ‘major’ breaches such that gas flow cannot be steered back within the steering tolerance due to a constraint and/or would require NGG to take a system management action | ✓ | |
| OBA management | How day to day responsibility for determining the steering difference, recalculating the cumulative steering difference, and communicating with the adjacent TSO, is assigned | ✓ | |
| Cumulative Steering Difference breach (identified after the Gas Day) | If the cumulative steering difference is identified to be outside of the steering tolerance after the gas day, then allocate as measured may apply. | ✓ | ✓ |

How will National Grid work with its adjacent TSOs to facilitate allocate as nominate?

- Gas flow is subject to confirmed nomination quantities



- The adjacent TSOs will steer gas flow and they are also bound to comply with the Interoperability (INT) Code



- The INT Code states adjacent TSOs shall maintain at all times the cumulative steering difference/OBA balance as close to zero as possible



- Provided gas flow is within the steering tolerance agreed between the TSOs then allocate as nominate applies



- There is flexibility provided by the Interoperability (INT) Code for TSOs to extend the steering tolerance temporarily

Possible Timeline

| Task | Timeline |
|---|------------------------------|
| Develop terms with adjacent TSOs to facilitate OBAs | Qtr 2 – Qtr 4 2014 |
| EU Workgroup discussions | May – June/July 2014 |
| UNC Mod raised | August 2014 |
| UNC Mod development | Sept 2014 – early Qtr 1 2015 |
| Ofgem decision | By end Qtr 1 2015 |

Proposed way forward

- Capture any initial questions / issues today
- Discuss requirement for business rules
- Agree schedule of meetings
- Draft legal text to follow in due course