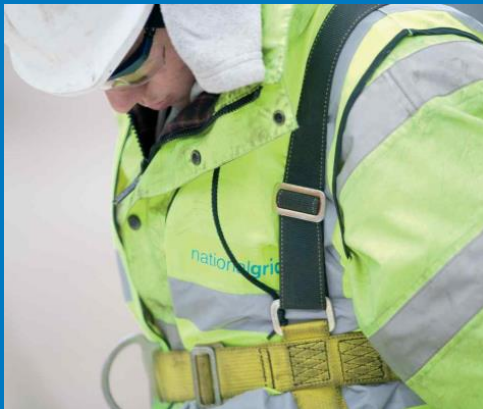


## European Workgroup



5<sup>th</sup> March 2015

# 1. General Update



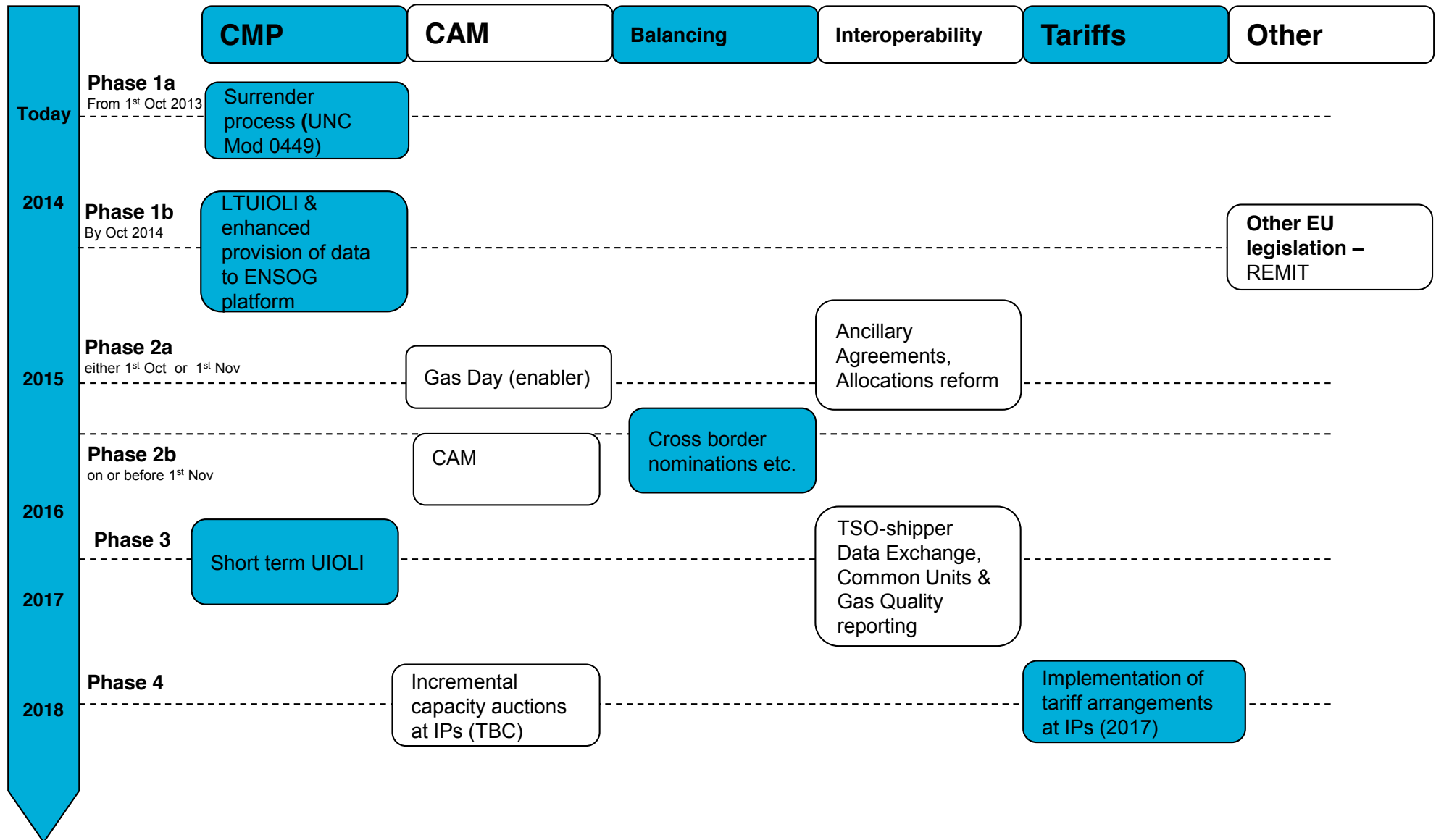
# Code Status Update

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Code	Current Status	Implementation date
Congestion Management (CMP)	Implemented	1 <sup>st</sup> October 2013
Capacity Allocation Mechanism (CAM)	CAM approved for EU wide implementation at relevant EU IPs	1 <sup>st</sup> November 2015
Gas Balancing (BAL)	BAL approved for EU wide implementation 26 <sup>th</sup> March 2014 (Commission Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks)	1 <sup>st</sup> October 2015
Interoperability & Data Exchange (INT)	Code approved at second comitology meeting 3-4 November 2014. Expected to enter EU law by March / April 2015, compliance required by 1 <sup>st</sup> May 2016.	Some deliverables planned for 1 <sup>st</sup> October 2015, others by 1 <sup>st</sup> May 2016
Tariffs	Under development. Code to be submitted 31 <sup>st</sup> December 2014	Estimated earliest mid January 2017. Applicable from October 2017
Incremental Capacity	Under development. Incremental Capacity to be introduced via combination of new articles in CAM Network Code and via Tariffs Network Code. Code amendment to be submitted 31 <sup>st</sup> December 2014	Applicable from March 2017



# Road Map



## 2 .EU Tariffs Code Update



## EU Tariffs Code Update

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- EC wants TAR NC finalised for 16<sup>th</sup> June (2<sup>nd</sup> informal comitology meeting)
  - Text must be ready for circulation to MS by end May
- High Level Meetings with ENTSOG, ACER & EC to outline changes
- Revised text to be developed in March in line with ENTSOG Board approval
- Final TAR NC to be presented to Board 31<sup>st</sup> March and GA on 22<sup>nd</sup> April

# Who Is Doing What

No.	Issue Name	TAR NC Article	Action for
1.	Provision of binding tariffs prior to auctions	Article 27	ENTSOG
2.	Option to provide fixed long term tariffs	Article 42(1)(b)	ENTSOG
3.	Higher multiplier cap	Article 29(2)	ENTSOG
4.	Transmission and dedicated services definitions	Article 3(3) & (12)	ENTSOG ACER
5.	Application of cost allocation methodology within a multi-TSO entry-exit system	Article 5(4)	ENTSOG ACER
6.	Non-physical backhaul pricing	Article 32(2)	ENTSOG
7a.	High-transit exemption – Partial non-application of cost allocation methodology	Articles 2(5)	EC
7b.	High-transit exemption – Volume risk for high transit systems	Article 15	ENTSOG
8.	Cost allocation methodologies and subsequent tariff adjustments	Articles 10 to 15	EC
9.	Cost allocation methodology counterfactual	Article 21(1)(a)(iv)	Agreed
10.	Commercially sensitive information	Article 24(2)	ENTSOG ACER
11.	Ex-post interruptible pricing in combination with ex-ante	Articles 32(1)(b) & 34	ENTSOG
12.	Mitigating measures and transitional provisions	Articles 48 and 49	ENTSOG
13.	Protection of existing contracts with a fixed price	Article 50	EC
14.	Implementation and interaction with Article 26 of CAM	Article 50	ENTSOG
15.	One-off reset and stop-loss	Article 48	EC
16.	Storage	Article 20	ENTSOG



## Issue 1: Binding Tariffs

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- Proposal perceived as in line with High Level Meeting
- Binding tariffs before auctions only for IPs and to non-IPs where CAM NC auctions applies
  - Publication no later than one week in advance of auction
- Current publication requirements remain for non-IPs
- Auction calendar to be moved (July)
  - Amendment to CAM NC to be proposed
- Safeguards for binding tariffs to include principle of shorter reconciliation period in case of under-recovery and safeguard of “detrimental effects” c.f. CAM NC

## Issue 2 Fixed Price

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- Principles agreed at High Level meeting
  - Fixed tariffs for existing capacity only if TSO takes risk of under-recovery. (Tariff \* index) + RP
  - Fixed tariffs allowed for incremental for duration of initial booking period (under-recovery socialised) but tariff based on actual not deemed cost. (Tariff \* index)
- Options considered in ENTSOG
  - Align to HLM position
  - Remove fixed price option for existing capacity
  - TAR NC text to remain (*dominant view of members*)

## Issue 3: Higher Multiplier cap

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- Options under consideration
  - HLM aligned solution
    - Use 'gliding path' of a higher multiplier cap as follows: 3.5 for the 1<sup>st</sup> year after the application date, 2.5 for the 2<sup>nd</sup> year and 1.5 for the 3<sup>rd</sup> year
    - After the 3<sup>rd</sup> year, ENTSOG is to produce a report on pipeline utilisation based on which the multiplier cap will be evaluated
  - Alternative option: 3.5 cap for first 3 years then review
- Development of assessment report criteria aligned with HLM (Predefined criteria; IP specific)
  - TAR NC to be amended if >1.5 allowed

# Issue 4: Transmission & Dedicated Services Definitions nationalgrid

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- Key issue: ACER believes that dedicated services not linked to capacity and distance as cost drivers, ENTSOG think they can be (e.g. regional transmission)
- Possible definition: *“dedicated services means the regulated services other than transmission services provided by the transmission system operator to network users”*
- ENTSOG Board to decide on this definition plus further interaction with ACER to discuss possible linkage of dedicated services to both capacity and distance cost drivers

## Issue 6: non-physical backhaul pricing

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- Possible compromise:
  - Non-physical backhaul capacity offered at uni-directional points that connect e/e systems which otherwise would not be connected in that direction: marginal pricing to be applied
  - For uni-directional points which connect e/e systems already connected by bidirectional points: non-physical backhaul to be priced as for the other interruptible products (per TAR NC methodology)
- Still some TSO resistance to this who wish to preserve current text.

## Issue 7: Volume risk for high transit system

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- ENTSOG drafting on text re asset cost split as substitute for 5<sup>th</sup> cost allocation methodology
  - Asset cost split (optional)
    - Homogeneous groups of NUs, relevant points, forecasted capacity
  - Primary cost allocation methodology (obligatory)
  - Secondary adjustment (optional)
    - Amendments to equalisation
  - New transparency requirements

## Issue 10: commercially sensitive information

- Text being revised to allow for preservation of confidentiality in certain cases

Information	Points where TSOs 'are in competition'[to re-formulate]	<u>Exclusions</u> from relevant points per Tr-cy GL
forecasted contracted capacity	Not to publish	Aggregated 3.2.(2) of Tr-cy GL, unless otherwise agreed w NRA per 3.2.(3)
forecasted flows	Not to publish	Aggregated 3.2.(2) of Tr-cy GL, unless otherwise agreed w NRA per 3.2.(3)
actual contracted capacity	To publish (disaggregated per point)	Aggregated 3.2.(2) of Tr-cy GL, unless otherwise agreed w NRA per 3.2.(3)
actual flows	To publish (disaggregated per point)	Aggregated 3.2.(2) of Tr-cy GL, unless otherwise agreed w NRA per 3.2.(3)

# Issue 11: Ex-post interruptible pricing in combination with ex-ante

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- Options under consideration:
  - Option 1: no ex-post discount
  - Option 2: keep current text (ex-ante, or ex-ante plus ex-post)
- ACER has given clear steer against no ex-post discount
  - Still under discussion within ENTSOG



# Issue 12: Mitigating measures and transitional provisions nationalgrid

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- ENTSOG redrafting per bilateral discussion with ACER

Criterion	Mitigating measures	Transitional provisions
General idea	Does not postpone application of the TAR NC but facilitates it	Postpones the application of the TAR NC
NRA role	Implementation and the detailed design are subject to NRA approval	Implementation and the exact duration are subject to NRA approval
When to request	Once the TAR NC is in force	
What to request	Request to implement a mitigating measure	Request to postpone the application of TAR NC
What to demonstrate	Application of the TAR NC results in an increase of the reference price at least at one point by >20% as compared to the tariff period before its application	Application of the TAR NC: <ol style="list-style-type: none"> <li>(1) may affect the execution of specific contracts;</li> <li>(2) does not coincide with regulatory period or tariff period</li> </ol>
When start implementing	As from the base case application date	
Max period	24 months as from the base case application date	

## Issue 14: Implementation and Art 26 of CAM

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- ENTSOG redrafting per bilateral discussion with AC
- ACER suggested that the split of the auction premium from the bundled capacity sales should be done per agreement between the TSOs subject to the subsequent NRA approval (as foreseen in the CAM NC) but not per decision/agreement of NRA(s) (as foreseen in the TAR NC in line with the TAR FG)
- ENTSOG needs to consider the consequences of ACER's proposal
- The issue of payable prices is pending the discussions on Issue 2

## Issue 16: Storage

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- Commission concerned that the current drafting does not go far enough in determining storage tariffs
- ACER do not believe that any change to storage article is required
- Some TSOs have concerns with extending the provisions in the current draft TAR NC
- ENTSOG shall develop an alternative drafting proposal for discussion with ACER and EC

# Explanatory document

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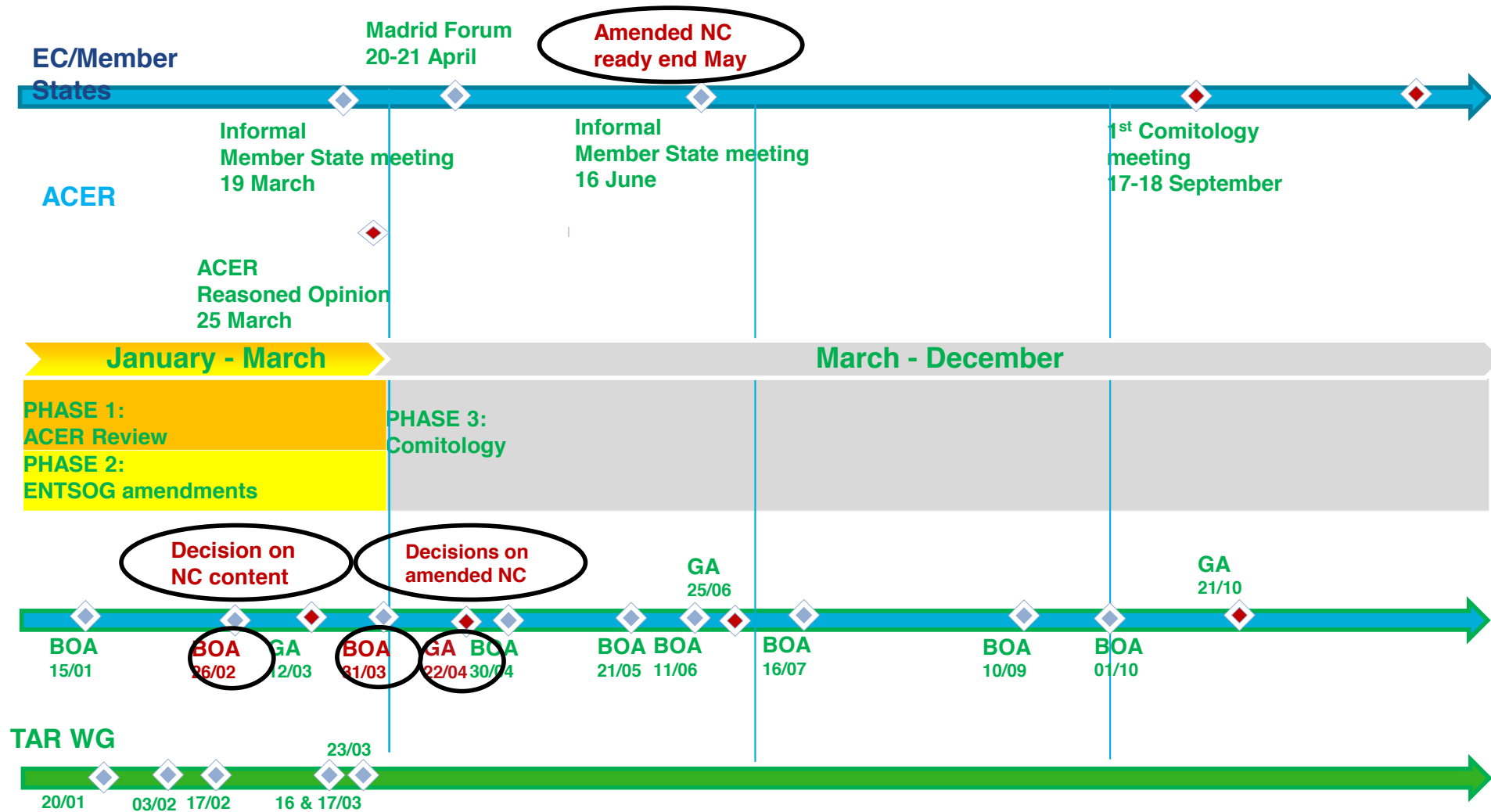
- **Aim:**

- ENTSOG rationale for taking account of the feedback received from ACER and the EC within the 3-month period of ACER preparation of the Reasoned Opinion

- **Structure:**

- Introduction / background
- ENTSOG consideration of ACER Reasoned Opinion (+ explanation and rationale for the changes)
- ENTSOG consideration of the EC and other ACER feedback (+ explanation and rationale for the changes made in response to it)

# TAR NC Timeline for 2015



## 3. EU Incremental Amendment Update



## Incremental Proposal

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- Proposal now in ACER consultation
  - ENTSOG shall respond as contains changes from text that ENTSOG submitted on 26<sup>th</sup> December
- In parallel ACER, EC and ENTSOG have had meetings on high level to find solutions on the outstanding issues.
  - So far there has been good progress and the High Level group seems to have found solutions on all outstanding issues.

# Agreed Action List

No.	Issue Name	Solutions & To Do list	Action
<b>Discussed at 3<sup>rd</sup> High Trilateral Level Meeting – February 3, 2015</b>			
1.	<b>Option to provide fixed long term tariffs for incremental capacity [TAR NC Article 42(1)(b)]</b>	<i>Incremental tariff assumptions to be based on projected investment costs (include in CAM NC amendment, article 20 C 3). Fixed tariffs to be adjusted to reflect actual investment costs – the difference, positive or negative, will be distributed over the upfront commitment and the socialised part according to the ratio of the F-factor. Fixed tariffs for incremental will last no longer than the initial booking horizon of the incremental capacity.</i>	ENTSOG
2.	<b>Allocation Procedure in Open Seasons Art. 20 (f) CAM NC</b>	<i>CAM auction algorithm will apply default - unless the involved TSOs and NRAs agree on an alternative allocation mechanism. Issue included in ACER consultation.</i>	ACER
3.	<b>F-factor (the level of upfront commitments underwriting the investment Art. 44.2 TAR NC</b>	<i>Text to reflect the principle that the non-committed part of the incremental costs shall be part of the normal TSO costs and thereby included in the RAB.</i>	ACER
4.	<b>Tariff adjustment Art. 47.6 TAR NC</b>	<i>To move the 4 examples in the bullets to the recitals and replace them by a sentence stating the overall aim, that there will be a process to evaluate potential measures and that an agreed measure shall support the avoidance of cross-subsidisation.</i>	ENTSOG
5.	<b>Costs in case of annulled contracts Art. 44.3 and 47.5 TAR NC</b>	<i>44.3: change the wording to match the new wording of 44.2 47.5: Develop a legal construction to ensure that the original commitment to the extent possible stays payable by the user who has requested the incremental capacity.</i>	ACER
6.	<b>One-off reset and stop-loss [Article 48]</b>	<i>Agreement not to include such clauses</i>	



## 4. UNC Modification Plans



## Phase 2 UNC Modifications

EU Network Code	Area of change	Status	Next Steps	UNC Consultation
Gas Balancing (BAL)	Information Provision (489)	Ofgem approved	Implementation	Complete
"	Nomination Process at IPs (493)	With Ofgem	Ofgem decision	Complete
"	SMP Buy & Sell (494)	Ofgem approved	Implementation	Complete
Capacity Allocation Mechanism (CAM)	Gas Day change (461)	Ofgem approved	Implementation	Complete
"	CAM / CMP Compliant Capacity Auctions (500)	With Ofgem	Ofgem decision	Complete
"	Bacton split (501 / 501A / 501B / 501C)	With Ofgem	Ofgem decision	Complete
Interoperability & Data Exchange (INT)	Reform of Allocations (0510)	Development complete	Panel decision on draft mod report	March 2015
"	Harmonisation of Reference Conditions (0519)	Development complete	Panel decision on draft mod report	March 2015
"	Enabling EU Compliant Interconnection Agreements (0525)	In development	Complete development (~3 months)	June 2015

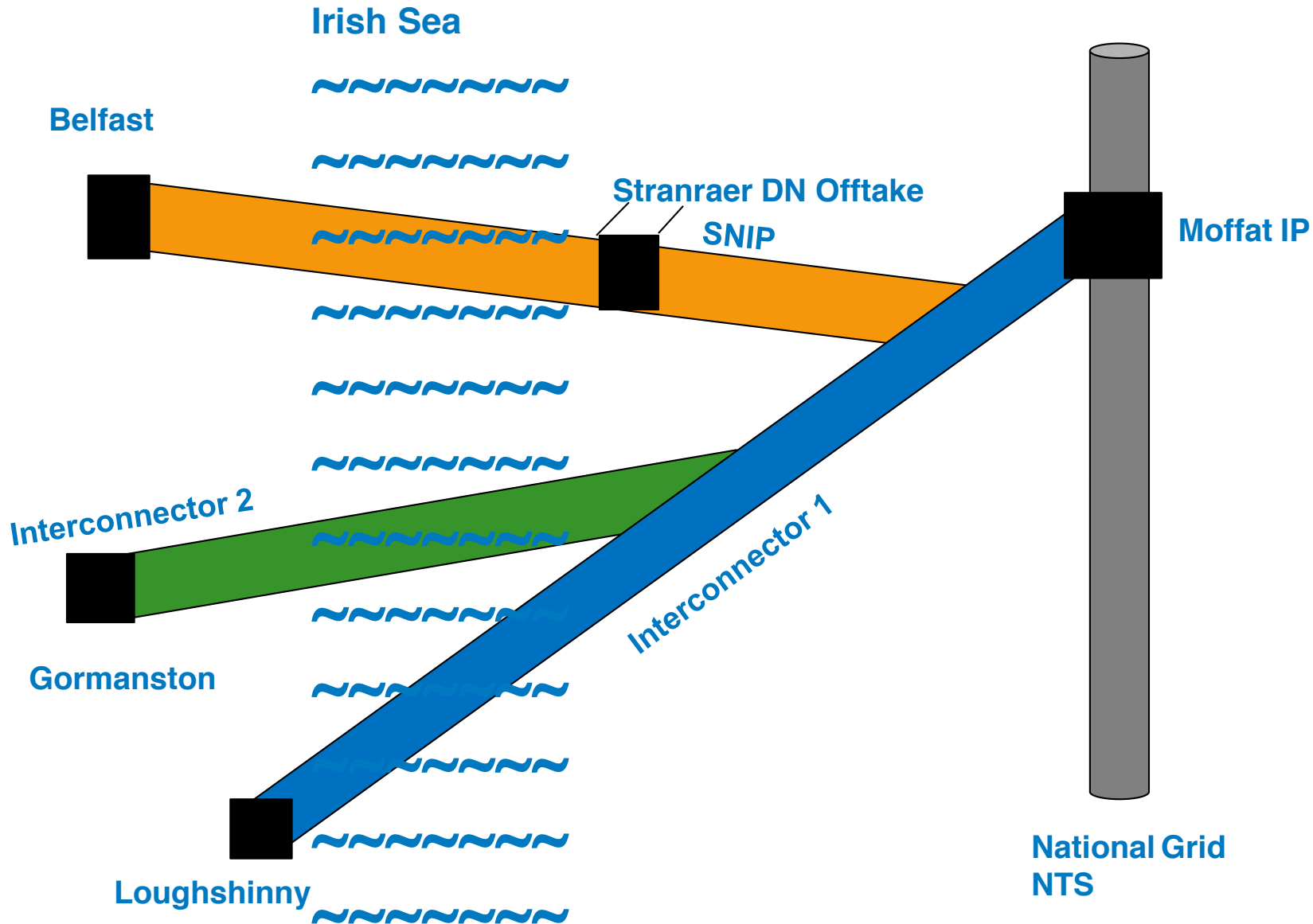
# Summary – Capacity - UNC Mod Proposals

SUBJECT	UNC Mod	STATUS				
CAM	500	Mod development completed. Workgroup Report submitted to Panel 20/11/14 with Legal Text. <b>Representation closed out 19/12 – 5 responses received all in support. FMR &amp; recommendation to implement sent to Ofgem</b>				
Bacton 'splitting' alternates	501, 501A, 501B, 501C	Mod development completed. Workgroup Report presented to Panel 15 January 2015. <b>Representation closed out 12 February 2015 – 15 responses received as below:</b>				
			501	501A	501B	501C
		Oppose	12	1	7	2
		Support	2	10	4	8
		Qualified Support		2	1	3
		Neutral		1	2	
		Comments	1	1	1	2
		Totals	15	15	15	15
		<b>FMR &amp; recommendation to implement (no clear majority view of Mod to be implemented, panel votes below) sent to Ofgem</b> Modification 0501 - 6 votes in favour Modification 0501A - 9 votes in favour Modification 0501B - 8 votes in favour Modification 0501C - 6 votes in favour				

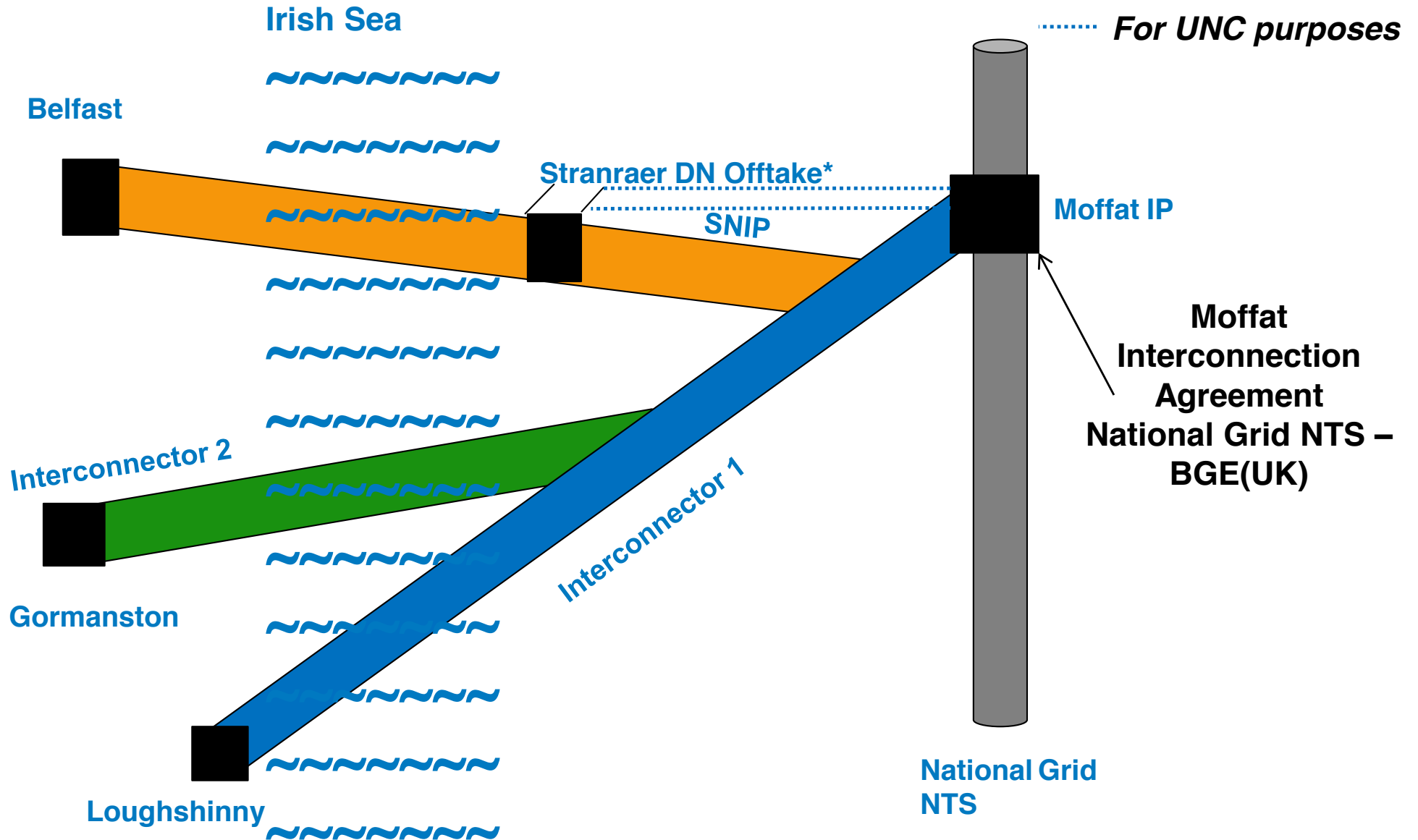
## 5. Moffat Interconnection Point (IP) Update



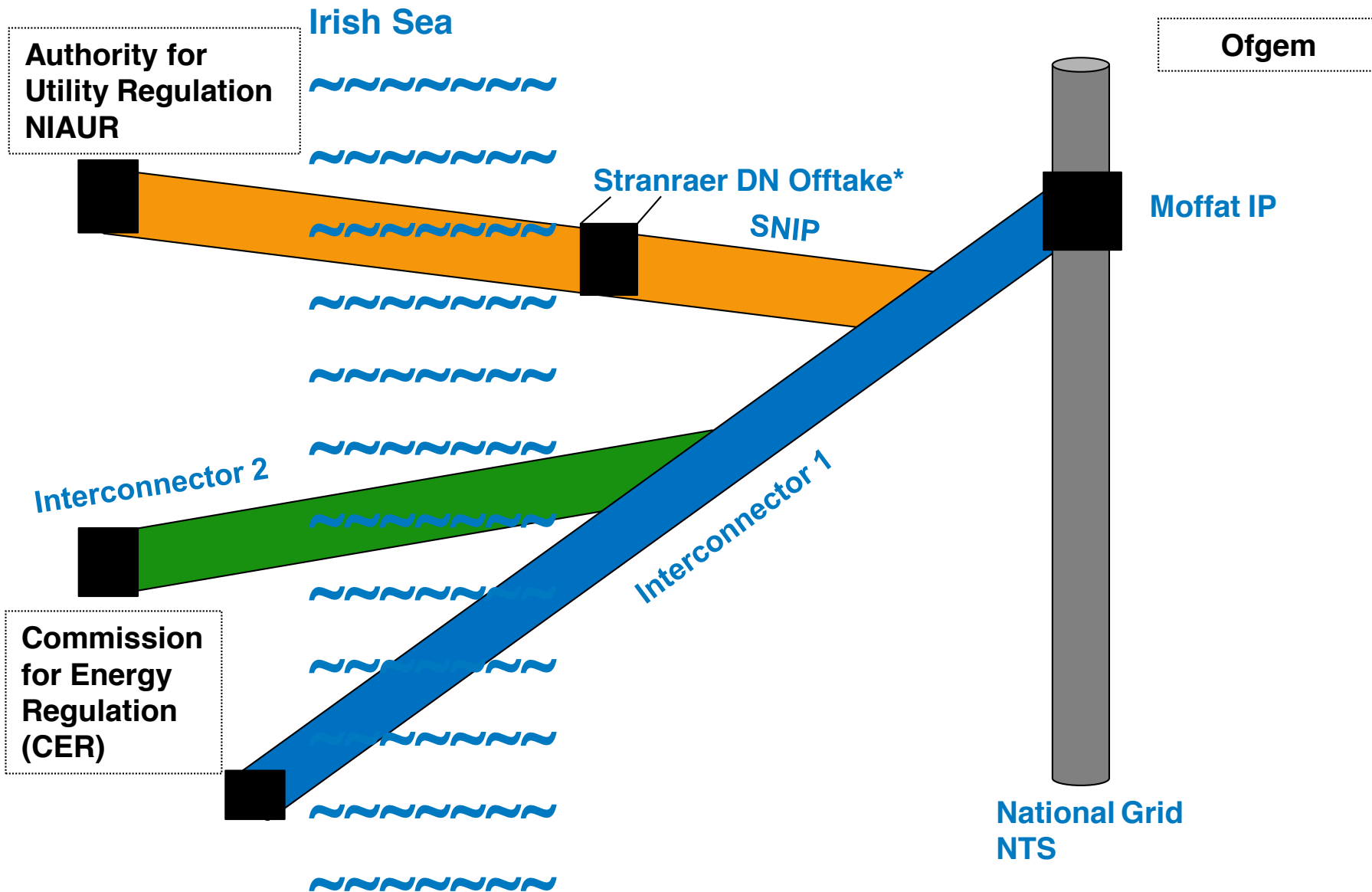
# Physical Networks



# GB Contractual Arrangements



# Regulatory Arrangements



## The Moffat IP

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- The Moffat IP does not conform to the '2 TSO' model envisaged by the EU Codes:
  - BGE(UK) is the licensed entity in respect of the pipeline connected to the NTS at Moffat
    - BGE(UK) is responsible for physical operations downstream of Moffat on ICs
    - Capacity is contracted from BGE(UK) by GNI & PTL (under transportation agreements)
    - Subsequent to these, shippers book capacity from GNI and PTL for delivery of gas for ROI and NI
  - Shipper relationships are held by the downstream system operators
    - Gas Networks Ireland (GNI, formerly Gaslink) for the Republic of Ireland
    - Premier Transmission Limited (PTL) for Northern Ireland



## The Moffat IP

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- EU Code processes for capacity bundling, nominations matching and gas allocations reform need to be implemented
- Although there is one physical IP, these processes need to be carried out in respect of:
  - National Grid NTS shippers and PTL shippers; and
  - National Grid NTS shippers and GNI shippers
  - We believe UNC needs to recognise this

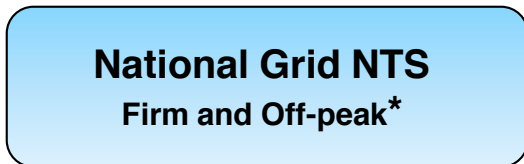
## UNC Changes Required

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- National Grid NTS believes that UNC refinements will be needed to accommodate the new EU Code processes at Moffat
- Modification 0525 proposes specific arrangements at Moffat **for the purposes of UNC only:**
  - Allowing an IP to be treated as if it were two separate IPs (a 'primary IP' and a 'subsidiary IP');
  - Recognition that National Grid NTS' counterparty to the Interconnection Agreement (IA) is not the same party(s) that have the commercial relationship with shippers; and
  - Consequential impacts for the processes needed to provide the Stranraer DN offtake with gas

# Capacity Arrangements

National Grid NTS  
current UNC capacity  
contract  
arrangements



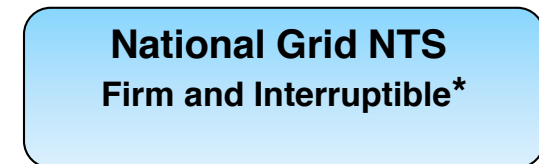
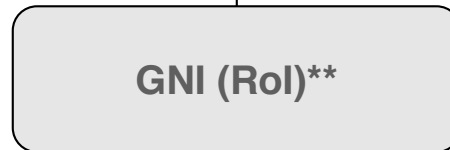
National Grid NTS also make available NTS Interruptible Entry Capacity\* for 'reverse flow'

National Grid NTS CAM capacity contract  
arrangements

1<sup>st</sup> November 2015 forward

(1) Bundled Contracts

(2) Unbundled Contracts

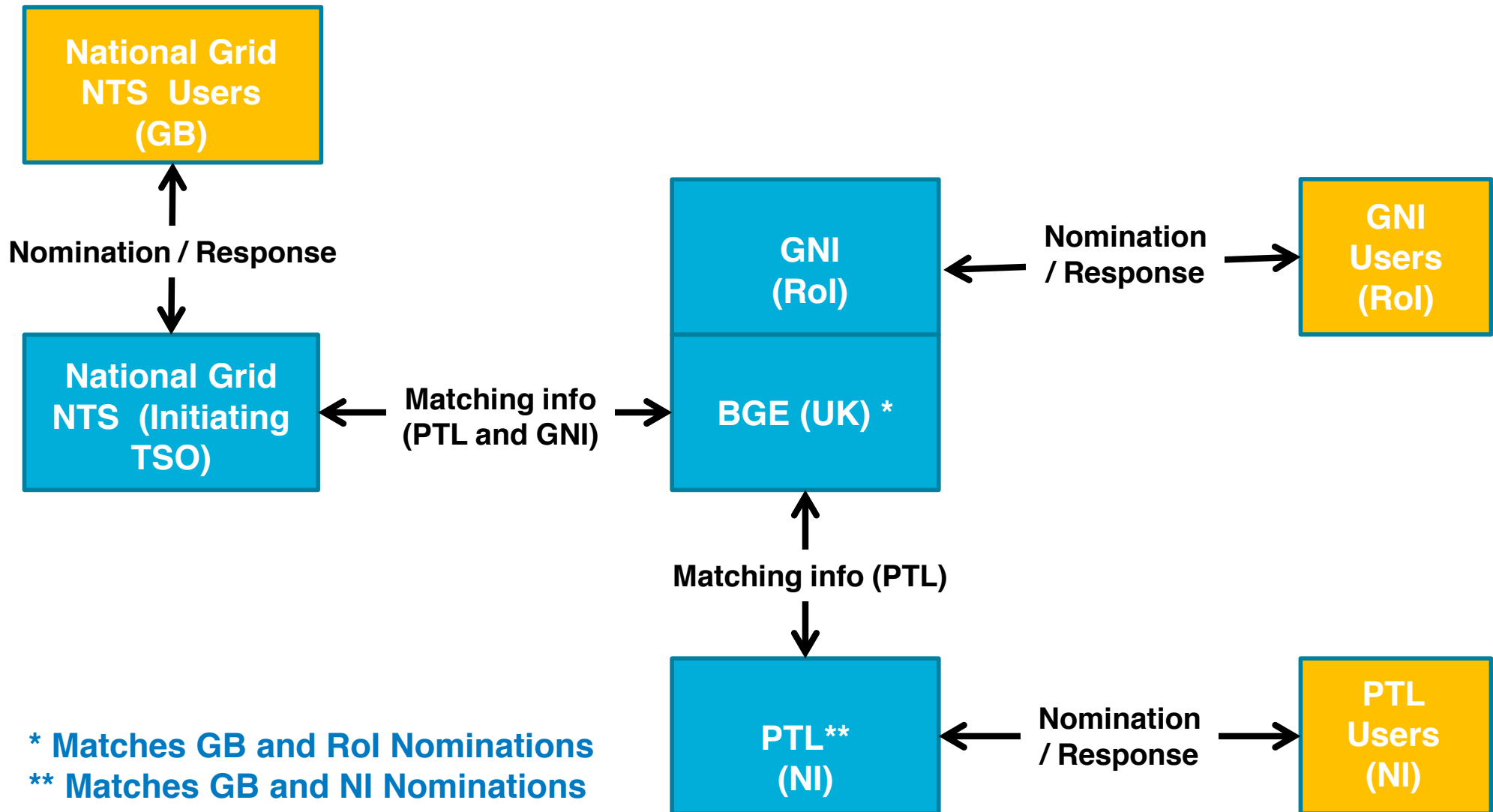


National Grid NTS will also make available NTS Interruptible Entry Capacity\* for 'reverse flow'

\*Day Ahead Interruptible only

Arrangements underpinned by Transportation Agreements between \*\* BGE(UK) & GNI and \*\*\* BGE(UK) & PTL

# Nominations Arrangements



# Allocation Arrangements

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- An Operational Balancing Account (OBA) is proposed to operate from 1<sup>st</sup> October 2015 for Moffat between BGE(UK) and NG NTS
  - Moving from 'allocate as measured' to 'allocate as nominate'
    - Provision for 'allocate as measured' only if TSO(s) consider OBA cannot accommodate the Steering Difference
  - GNI/BGE (UK) responsible for flow control
  - Moffat Agent ceases activities

# Agreements Overview

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Existing agreements to be reviewed	Parties
Connected Systems Agreement (CSA)*	National Grid NTS – BGE (UK)
CSEP Ancillary Agreement Mod 0525 proposes to terminate & include relevant text in UNC	National Grid NTS – GB Shippers active at Moffat

\* This is the Interconnection Agreement for Moffat

# Agreements Overview

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New agreements	Parties
Tripartite	National Grid NTS – BGE(UK) - PTL

## Way Forward

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- Interconnection Agreements:
  - National Grid NTS is continuing to work with BGE(UK) to agree the detail of the new arrangements to comply with the EU Codes
  - Part of Modification 0525 will deal with these 'Moffat specific' issues
  - Consultation and stakeholder engagement for Interconnection Agreement changes are expected to be carried out May/June 2015
- Units:
  - Joint TSO letter to regulators to apply INT Article 13(3) reference conditions in March to the Moffat IP
    - If regulators give consent, reference temperatures of 15° C (volume) / 15° C (combustion) will continue to apply at Moffat beyond 1<sup>st</sup> October 2015



## EU Interoperability Code: Common Units

## Common Units

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Interoperability Code: Article 13(3):

*“In cases where one Member State is connected to only one other Member State, the adjacent transmission system operators and the parties they communicate with may agree to continue to use other reference conditions [than 0/25] for data exchange in connection with Regulation (EC) No 715/2009, subject to the approval of their national regulatory authorities”.*

- National Grid NTS and the RoI and NI TSOs propose to submit a joint letter to Ofgem and the NI and RoI regulators seeking approval to continue to use 15/15 reference temperatures in respect of the Moffat IP
- Before submitting this letter, each TSO will seek “agreement” from its shippers at an industry meeting
- National Grid NTS seeks such agreement from GB shippers at today’s EU Workgroup meeting

# REMIT Update



- 
- ACER have launched their REMIT portal  
<https://www.acer-remit.eu/portal/home>
    - Contains all information necessary to register and report.
    - ACER not yet able to say when their REMIT Information System (ARIS) will be ready to receive data.
  
  - Ofgem have opened market participant registration.
    - <https://www.ofgem.gov.uk/gas/wholesale-market/european-market/remit/registering-market-participant-under-remit>

# Trade Data and Fundamental Data Reporting

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- The reporting obligation under Article 8(1) and (5) of REMIT will apply from **7 October 2015** as regards:
  - transactions, including orders to trade, in relation to standard contracts and derivatives admitted to trading at organised markets,
  - fundamental data reported through the ENTSO-E and ENTSOG Union-wide central information transparency platforms,
  
- The reporting obligation under Article 8(1) and (5) of REMIT will apply from **7 April 2016** as regards:
  - transactions in relation to standard contracts traded OTC, non-standard-contracts and transportation contracts,
  - additional reportable fundamental data from TSOs, LSOs and SSOs

## Capacity Reporting

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- **NG will report all primary capacity trades** on behalf of market participants.
- Since October 2014 NG has sought market participants views on whether they would be interested in a secondary capacity reporting service provided by NG.
  - There has been very limited interest in such a service.
  - Some shippers expressed concern over how their commercially sensitive data would be handled.
- Therefore, **NG is minded not to offer the secondary capacity trade reporting service.**

## NG REMIT website for Urgent Market Messages

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- ENTSOG is currently considering whether to open up the ENTSOG transparency platform to Gas market participants for REMIT UMM reporting.
- **If ENTSOG decide against providing this service NG are minded to continue to offer the NG REMIT Urgent Market Message (UMM) reporting website and build it as an enduring solution.**
- NG is investigating what reinforcement of the NG REMIT website would be necessary due to anticipated higher usage given the requirement for direct feeds to ACER for UMM data.

# EU Codes Implementation Workshop

Feedback and Future Event



“A good range of stakeholders, and not just usual regulatory contacts.”

“A really good bottom up guide to how the changes will be implemented.”

“Very useful to be able to ask detailed questions and have subject experts on hand to answer”.

## Workshop Feedback

“A future event could combine with user trials and do a ‘demonstration’ on the systems loading info into PRISMA, Shipper purchase, then Shipper nominations and allocations.”

“A future event could include demonstrations of systems”.

“Could have had more technical details (but appreciate it is a bit early in the process for this).”

“I needed a broader focus on EU code implementation, not only related to IPs”.

## Future Event

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- Systems and operations focused
- Potential demos from Xoserve and PRISMA
  - May not be a full end-to-end demo
- Afternoon workshop after Ops Forum?
  - Summer 2015
- What do you want from the day?
  - [europeanpolicy@nationalgrid.com](mailto:europeanpolicy@nationalgrid.com)

## Future Topics



# Future Topics

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Topic Area	Provisional Date
REMIT	March 2015
Tariffs Code	Monthly updates whilst progressing through comitology
Incremental Code	Monthly updates whilst progressing through comitology