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European Workgroup

4th December 2014

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1. General Update

Code Status Update

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

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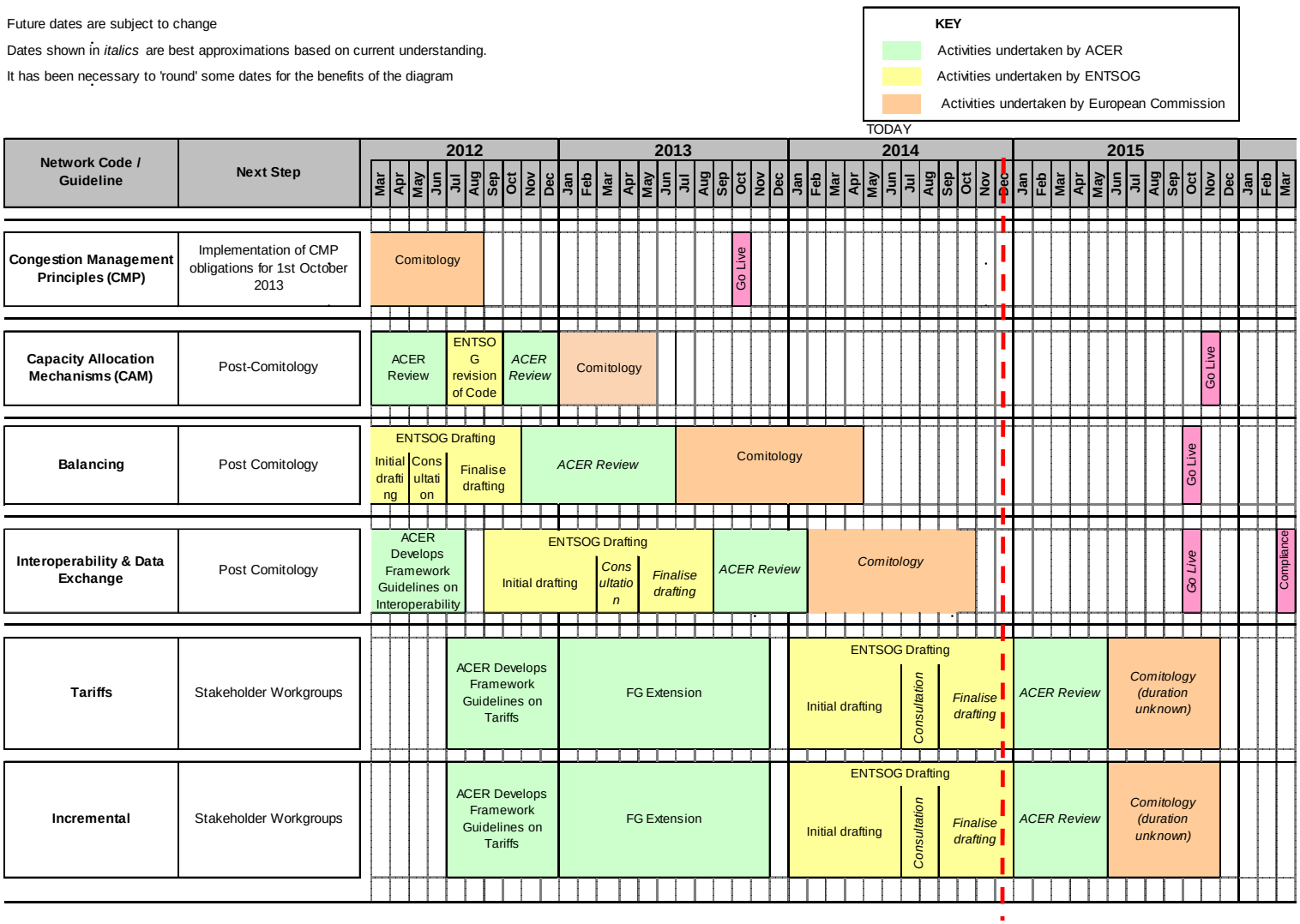
Gas Codes Timeline

Status of Development of European Gas Network Codes

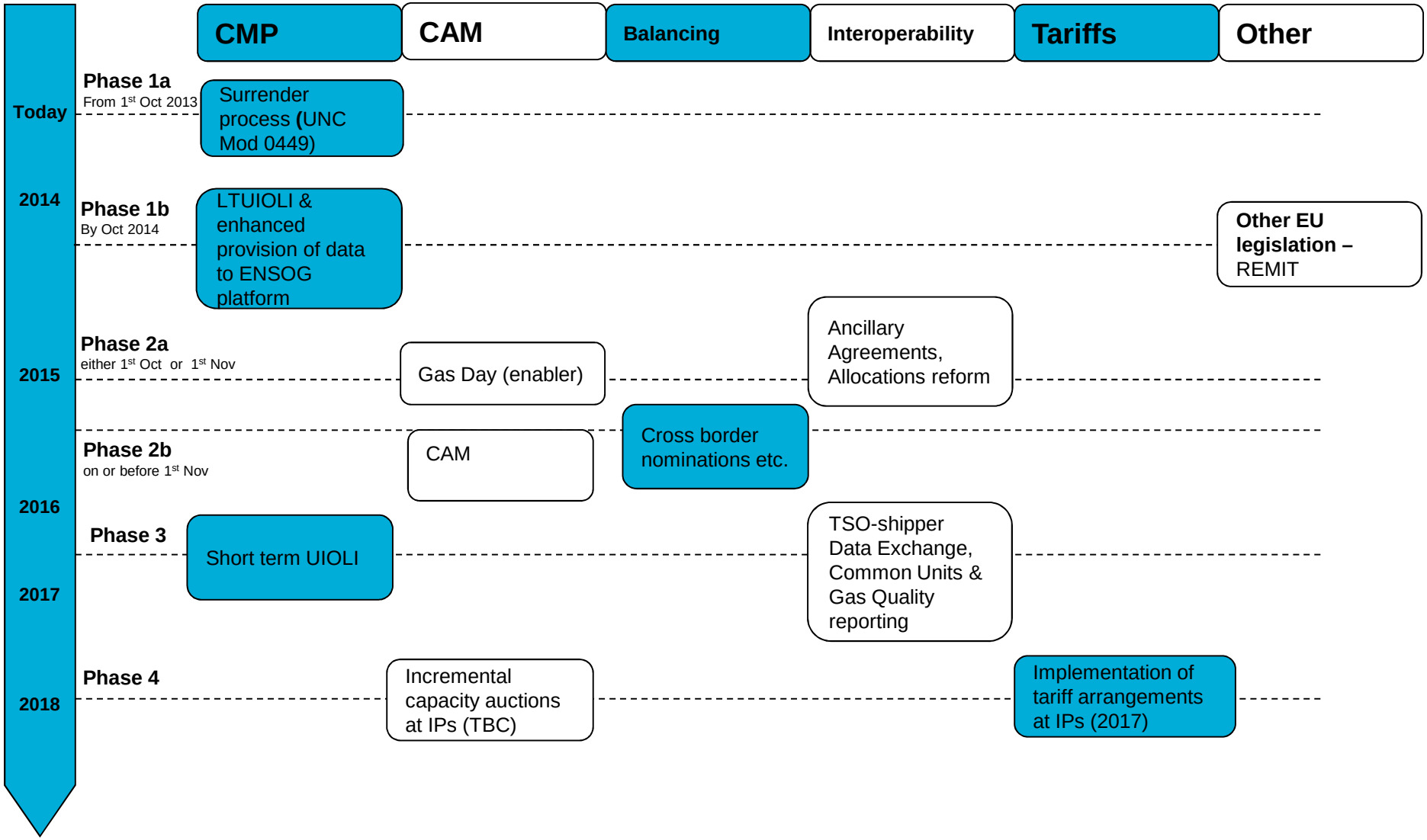
Future dates are subject to change

Dates shown in *italics* are best approximations based on current understanding.

It has been necessary to 'round' some dates for the benefits of the diagram



Road Map


CMP
CAM
Balancing
Interoperability
Tariffs
Other
Today
2014
2015
2016
2017
2018
Phase 1a
From 1st Oct 2013
Surrender process (UNC Mod 0449)
Phase 1b
By Oct 2014
LTUIOLI & enhanced provision of data to ENSOG platform
Other EU legislation – REMIT
Phase 2a
either 1st Oct or 1st Nov
Gas Day (enabler)
Ancillary Agreements, Allocations reform
Phase 2b
on or before 1st Nov
CAM
Cross border nominations etc.
Phase 3
Short term UIOLI
TSO-shipper Data Exchange, Common Units & Gas Quality reporting
Phase 4
Incremental capacity auctions at IPs (TBC)
Implementation of tariff arrangements at IPs (2017)

2. EU Code Updates

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Holder for Colin Hamilton – Latest Update on Tariff & Incremental Codes

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EU Interoperability & Data Exchange Code: Post-Comitology Impact Assessment

Introduction

- The EU Interoperability and Data Exchange Network Code was approved at its second comitology meeting on 3rd and 4th November 2014
- This impact assessment summarises:
  - The main provisions of the final Code
  - Impact / activities required
  - National Grid NTS plan for compliance

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Chapter 1: General Provisions

Article	Key Provisions	Impact / Activities Required
1: Subject Matter and Scope	The Code applies to IPs and additionally other points relating to: • Units for transparency purposes • Gas Quality information provision	See assessment of Articles 13, 17 and 18.
2. Definitions	Establishes definitions used in the Code additional to those established by other Regulations including CAM and BAL	None

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Chapter 2 – Interconnection Agreements (IAs)

Article	Key Provisions	Impact / Activities Required
3. General Provisions	Establishes minimum content of an IA	See assessment of Articles 6-12
4. Information Obligation	TSOs shall identify information in IAs that directly affects network users and inform them thereof	Relevant text from Matching, Allocations and Exceptional Events sections in IAs to be published by NG once agreed with adjacent TSOs
	TSOs shall consult their shippers about matching, allocation, or exceptional events sections of an IA for new IAs and amendments post 1 May 2016	Capture in 'IA governance' rules in the EID
	TSOs must send the mandatory terms of new IAs or amendments to mandatory terms of existing IAs to NRAs and ENTSOG post 1 May 2016	Enduring obligation for NG outside of UNC

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Chapter 2 – Interconnection Agreements (IAs)

Article	Key Provisions	Impact / Activities Required
5. Interconnection Agreement Template	ENTSOG to develop an template of 'default rules' to be used in IAs, subject to ACER opinion during 2015.	Unclear what is expected - a 'copy and paste' of the 'default rules' in the INT Code or something more. ENTSOG will begin work on this in Q1 2015.
	If TSOs fail to agree on a mandatory term then the default rule in the ENTSOG template shall apply.	None envisaged.
6. Rules for Flow Control	TSOs shall agree which one is responsible for steering flow across the IP and shall minimise any steering difference	Agree rules for flow control with adjacent TSOs and insert into the IAs. At all three IPs, NG's adjacent TSOs shall have responsibility for the steering.

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Chapter 2 – Interconnection Agreements (IAs)

Article	Key Provisions	Impact / Activities Required
7. Measurement Principles	TSOs shall include within the IA details of which TSO owns and operates the volume, energy and gas quality measurement systems, standards used, parameters to be measured, levels of uncertainty, quality assurance arrangements etc.	Cross check all mandatory items are covered in the three IAs.
8. Rules for Matching	TSOs shall detail the nominations matching process in the IA, including the matching rule if nominations are not aligned and which TSO is initiating and which is matching TSO.	Mod 0493 delivers the new IP nominations regime within UNC. NG to agree the detail of the matching process with adjacent TSOs, consult with industry and document in IAs.

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Chapter 2 – Interconnection Agreements (IAs)

Article	Key Provisions	Impact / Activities Required
9. Allocation of Gas Quantities	Rules for the allocation of gas by TSOs to network users must be included in IAs, with an 'allocate as nominate with OBA' regime as the 'default rule'.	Mod 0510 in development to introduce an OBA allocation regime for the GB IPs. Agree text for the IAs with adjacent TSOs and consult with GB shippers.
10. Communication in Exceptional Events	A TSO experiencing an exceptional event must communicate potential consequences to network users and its adjacent TSO.	NG to review its current communications if an IP is affected by a Transportation Constraint against Article 10 requirements.
11. Settlement of Disputes	TSOs shall specify a dispute resolution mechanism in the IA.	Review Code requirements against existing provisions in the IAs.
12. Amendment Process	TSOs shall include a process for amending the IA in the IA.	Review Code requirements against existing provisions in the IAs.

Chapter 3 – Units

Article	Key Provisions	Impact / Activities Required
13. Common Set of Units	TSOs must use the common set of units for any data exchange and data publication related to Regulation 715/2009.	NG is required to: - Offer IP capacity and manage IP nominations using the common units - Send transparency data and publish gas quality data (if required) using the common units
	Reference temperatures must be 0° C (volume) and 25° C (CV), but where one MS is connected to only one other MS, other reference conditions for data exchange may continue with NRA approval.	IUK and BBL capacity and nominations must be on a 0/25 basis. Mod 0519 raised as a GB solution. Indicative Gemini costs £400-£450k. NG and BGE will ask Ofgem and CER for approval to continue with 15/15 reference conditions for commercial operations at Moffat.
14. Additional Units	Other units may be used in addition, conversion either based on gas composition or using ISO 13443.	NG proposes to use the fixed conversion factor determined by ISO 13443.

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Chapter 4: Gas Quality and Odourisation

Article	Key Provisions	Impact / Activities Required
15. Managing Cross-Border Gas Quality Restrictions	TSOs shall cooperate to avoid restrictions to cross-border flow. Such actions may include co-mingling.	NG NTS to seek an Ofgem view.
	Where NRAs consider that different gas quality specs either side of an IP are a barrier to cross-border flow, they may trigger a 12 month process in which the TSOs work up options, consult and propose a solution.	NG NTS to seek an Ofgem view.
16. Short term monitoring of gas quality – data publication	TSOs shall publish hourly CV and wobbe data for gas "directly entering" their transmission networks at IPs.	NG NTS to seek an Ofgem view about NG publication at Bacton. (BGE have the obligation for the Moffat IP).

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Chapter 4: Gas Quality and Odourisation

Article	Key Provisions	Impact / Activities Required
17. Information provision on short term gas quality variation	TSOs shall engage with direct-connects, DNOs and SSOs to assess what additional GQ info they want / can be provided. No obligation to invest unless NRA states otherwise.	NG NTS to engage with GB industry in 2015 to assess demand for such information provision and NG NTS' ability to provide it.
18. Long term monitoring on gas quality	Biennial obligation on ENTSOG to produce a long-term gas quality outlook as part of its TYNDP activities.	NG NTS may be asked to contribute to its production along with other TSOs.
19. Managing cross-border restrictions due to different odourisation practices	For IPs where odourisation is an issue, if all else fails the TSO with the odourised network must implement a "shift towards" non-odourised gas within 4 years.	None. Only if the Moffat interconnector developed a reverse flow capability would this become relevant for GB.

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Chapter 5: Data Exchange

Article	Key Provisions	Impact / Activities Required
20. General Provisions 21. Common Data Exchange Solutions	The data exchange requirements foreseen by CMP, CAM, BAL, INT and REMIT between TSOs and between TSOs and IP shippers shall be fulfilled by internet-based Edig@s solutions using AS4 or web services. Future changes to common solutions managed by ENTSOG and ACER (comitology procedure not required).	- NG NTS must communicate with its adjacent TSOs for nominations matching using one of the common solutions. - NG preference for web services is not shared by adjacent TSOs hence 'converter' technology is being developed. Ofgem view to be sought about compliance of this approach. - NG must have the capability to use internet-based solutions for shipper nominations process - UK Link Manual change required - PRISMA will also need to comply with the provisions.
22. System security and availability	TSOs to implement appropriate security measures and keep downtime to a minimum.	Gemini 'Housekeeping Window' consultation.

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Chapter 5: Data Exchange

Article	Key Provisions	Impact / Activities Required
23. Implementation	Existing data exchange solutions may continue subject to shipper consultation and NRA approval.	GB shippers that have expressed a view have stated a wish to continue to use Gemini ‘as-is’ for nominations, therefore NG NTS will run this consultation and seek Ofgem approval.
24. Development process for Common Network Operation Tools (CNOTs)	Where a case for common business processes is identified (eg. nominations), ENTSOG may produce a Business Requirements Specification (BRS). A CNOT shall specify the common solution to be used.	ENTSOG may decide whether AS4 / Web Services should be used for processes that have been subject to a BRS. (eg. IP nominations matching) ‘Converter’ technology should enable NG NTS to accommodate either.

Chapter 6: Final Provisions

Article	Key Provisions	Impact / Activities Required
25. Implementation Monitoring	By 31st July 2016, TSOs must submit information to ENTSOG demonstrating how they are complying with the Code.	NG NTS to contribute to ENTSOG's preparation of a questionnaire template for TSOs to complete.
26. Entry into Force	Code becomes EU law 20 days after publication in the Official Journal of the European Union. TSOs must comply by 1st May 2016.	Code expected to enter EU law in March 2015, compliance by 1 May 2016. NG NTS is planning to deliver some elements early by October 2015 due to linkages with other EU Code requirements. Others are planned for the Phase 3 release in April 2016.

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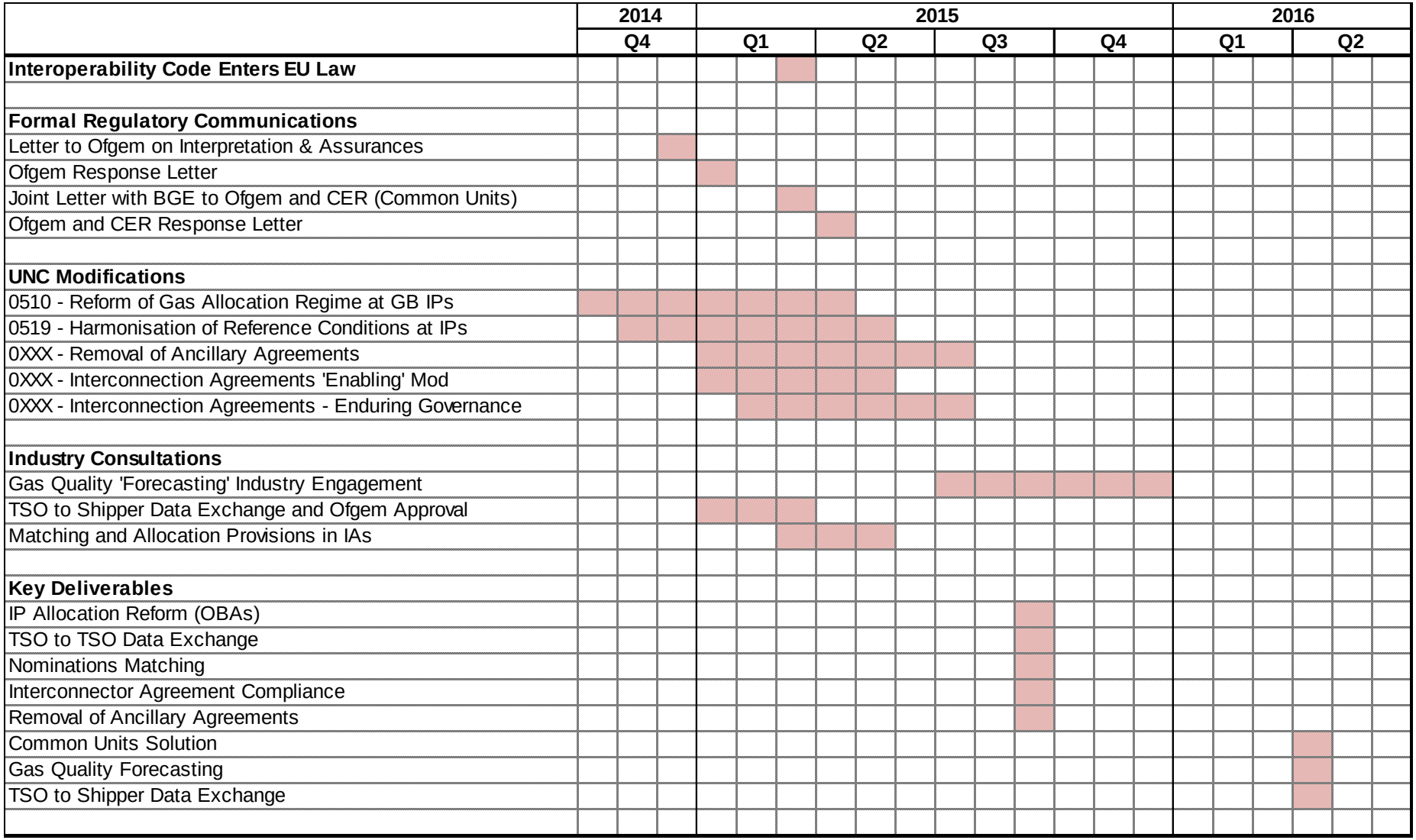
Interoperability Delivery Plan



3. UNC Modification Plans

Phase 2 UNC Modifications Potential Timescales

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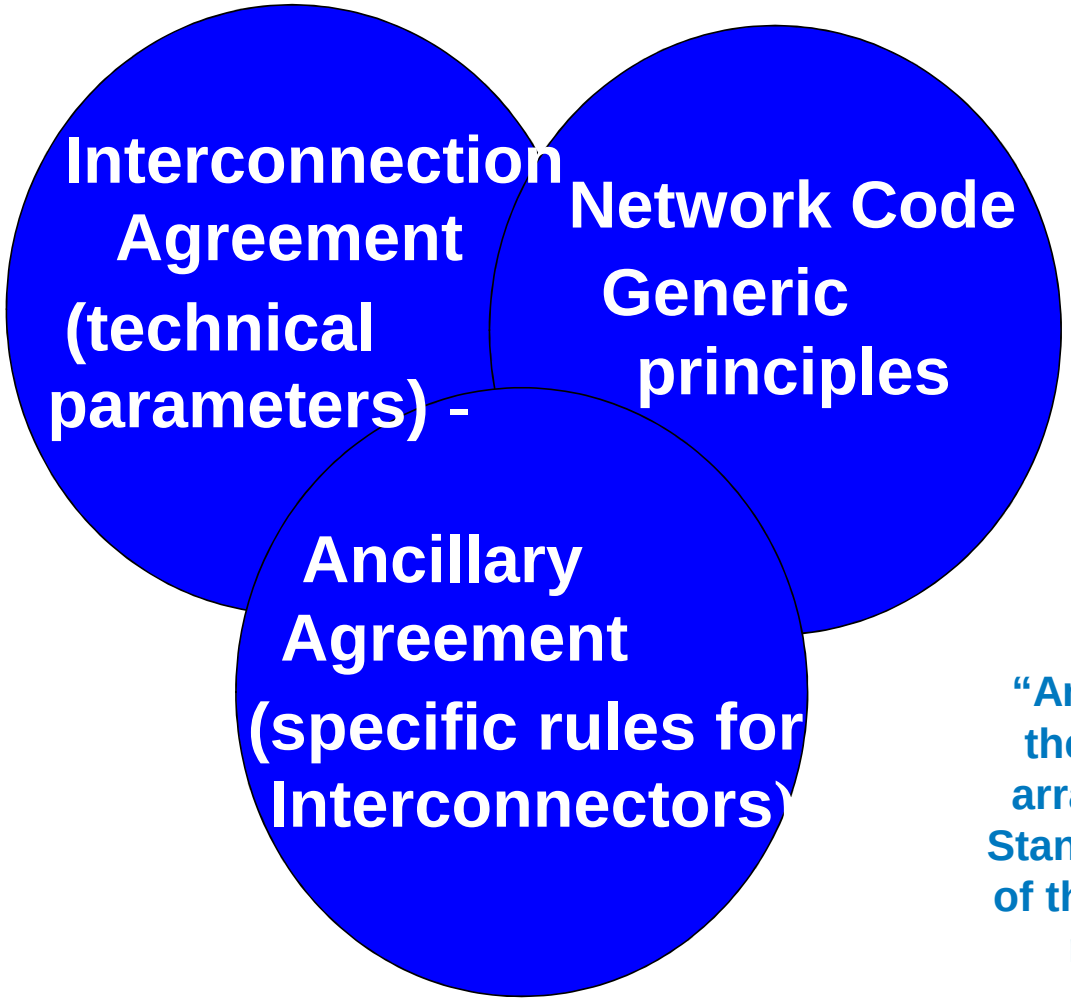
EU Network Code	Area of change	Panel Submission	Workgroup Development	UNC Consultation
Gas Balancing (BAL)	Information Provision	March 2014	2 Months	July 2014
	Nomination Process at IP's	April 2014	6 - 9 Months	Nov 2014
Capacity Allocation (CAM)	CAM / CMP Compliant Capacity Auctions	May 2014	6 - 9 Months	Nov - Dec 2014
Interoperability & Data Exchange (INT)	Reform of Allocations (0510)	August 2014	6 Months	March 2015
	Harmonisation of Reference Conditions (0519)	November 2014	4 months	April 2015
	Interconnection Agreements 'Enabling' Mod	January 2015	3 Months	May 2015
	Removal of Ancillary Agreements for IPs	January 2015	4 Months	June 2015
	Enduring Governance Arrangements for IA Changes	February 2015	3 months	June 2015

4. Draft Modifications

Review of Interconnector Ancillary Agreements

Background - Present Contractual Regime at IPs



UNC TPD V1.1

"An agreement that sets out the terms of transportation arrangements defined in the Standard Special Condition A3 of the Transporter's licence in relation to the relevant systems"

Interconnector Ancillary Agreements

- Provisions include:
  - Conditions of becoming a User (including Agent provisions)
  - General Network Entry & Exit Provisions
  - Output Nominations & Exit Allocations
  - Rates & quantities of offtake
  - Flow profiles
  - Agency arrangements

Interconnector Ancillary Agreements

- Introduction of EU Codes means TSO to TSO arrangements for Nominations, Matching & Allocations
  - Resulting in changes to most provisions within the Ancillary Agreements

Options are to:

- Retain Ancillary Agreements
  - Remove/amend provisions
- Terminate the Ancillary Agreements
  - Incorporating terms into UNC or Interconnection Agreements where required

Option 1: Retain & Amend Ancillary Agreements

Advantages	Disadvantages
Fewer UNC Modifications	Changes to Agreements need to made with the Consent of all User(s). **Obtaining consent of all users can be difficult
	Less transparent or robust method of change

**Very few Ancillary Agreements were ever returned signed when obtaining consent of all User(s) had been selected as the mechanism for change during Exit Reform

Option 2: Removing Ancillary Agreements at IPs

Advantages	Disadvantages
More efficient and streamlined process for all parties	None
Future changes would be via UNC Modifications only, a more transparent, organised and time bound change mechanism	Possible slight increase in future UNC Modifications
No requirement to issue amended & restated Agreements out to Users to re-sign after any changes	None

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Option 2: Further Developments

- Summary table developed for each Ancillary Agreement (IP specific), detailing the provisions and proposals where to remove obligations or incorporate into UNC
- Review of the Supply Point Administration process scheduled with Xoserve to determine if any process improvements can be made in light of the proposal to remove Ancillary Agreements at Interconnection Points

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Next Steps

- Open discussion about information presented today
  - Seek your views on the options;
    - Which option do you prefer and why?
    - Are there any other options?
    - Do you have any questions?

In light of the benefits described National Grid's preference would be Option 2 to remove Ancillary Agreements at Interconnection Points

- For further information please contact Carol Spinks carol.a.spinks@nationalgrid.com or Debbie Brace deborah.brace@nationalgrid.com

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5. AOB

Gemini Housekeeping Window

Background

- NTS provided the background to this issue at the September 2014 EU WG meeting:
  - European Network Codes of CAM, BAL, INT introduces new arrangements for Noms and Renoms at Interconnection Points (IPs)
  - UNC Mod 493 raised in April 2014 to introduce these new arrangements
  - Existing UNC terms provide for “Planned UK Link Downtime”
  - Interoperability Code permits outages and views were sought on various options identified by NTS to manage the GHKW going forwards

- This Consultation seeks views from all interested parties on these Options

Options Analysis

Option	Pros	Cons	Estimated Costs
Option 1: Do nothing **(NGG NTS Favoured Option)**	• No additional cost • Consistent with existing GB regime - Renomination process is reduced by daily outage • INT Code recognises outages	• Renomination Process at IPs availability reduced by daily outage • Whether a daily outage should keep downtime "to a minimum" is open to interpretation	£0
Option 2a: Routine outage (e.g. monthly) and non-routine outages as required	• Renomination Process availability increased (relative to option 1) • Less frequent non routine outages (relative to option 2b) • INT Code recognises outages • Improved visibility and planning	• Routine outages still required (but less than in the case of Option 1) • There will be a need to manage the outage schedule whilst fixing operational system issues	£1 million
Option 2b: Non-routine outages as required	• Renomination process availability increased (relative to option 1) • No routine outages • INT Code recognises outages	• More frequent non-routine outages (relative to option 2a) • Outages less predictable for planning and greater amount of governance required	£1 million
Option 3: 24/7 availability	• Maximum flexibility for Users • No planned outages • No constraints on nomination activities	• Most expensive option • Not mandated by Interoperability Code and therefore this option could be considered as above what is required for compliance	£2million +

Consultation Questions

1. Do you agree with the pros and cons of each option? If not please explain?
2. Are there any additional costs or benefits associated with any of the options identified?
3. Do you believe that there are any other options that should be considered? If so, please provide details?
4. Which option or options do you believe comply with the Interoperability Code requirement to minimise system downtime in the context of the Renominations process at IP points?
5. Which Option would you prefer to be implemented?
6. If you support option 2A, 2B or 3, would you consider User Pays to be the appropriate funding mechanism?
7. Are there any other issues that you would like to highlight that have not been addressed within this Consultation document?

Consultation Timescales

Task	Deadline
Consultation Window – 4 weeks	26/11/14 – 24/12/14
EU Industry Workgroup	04/12/14
Gas Ops Forum	10/12/14
NG to Review Representations	24/12/14 – 20/01/15
Internal NG Approval of Consultation Decision Document	20/01/15
NG to Publish Decision Document	23/01/15

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Capacity Mods Update

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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. **Representation closes out 19/12**
Bacton 'splitting' alternates	501	Mod development completed. Workgroup Report submitted to Panel 20/11/14 with Legal Text. Returned to Workgroup
	501A	Mod development completed. Workgroup Report submitted to Panel 20/11/14 with Legal Text. Returned to Workgroup
	501B	Mod development completed. Workgroup Report submitted to Panel 20/11/14 with Legal Text. Returned to Workgroup
	501C	This Modification Proposal was accepted by the UNC Panel 20/11/14 as an alternate to be developed with the 501 suite of proposals and was returned for development, to the workgroup ,with the other proposals. **Workgroup meetings 28/11, 11/12 & 7/1**

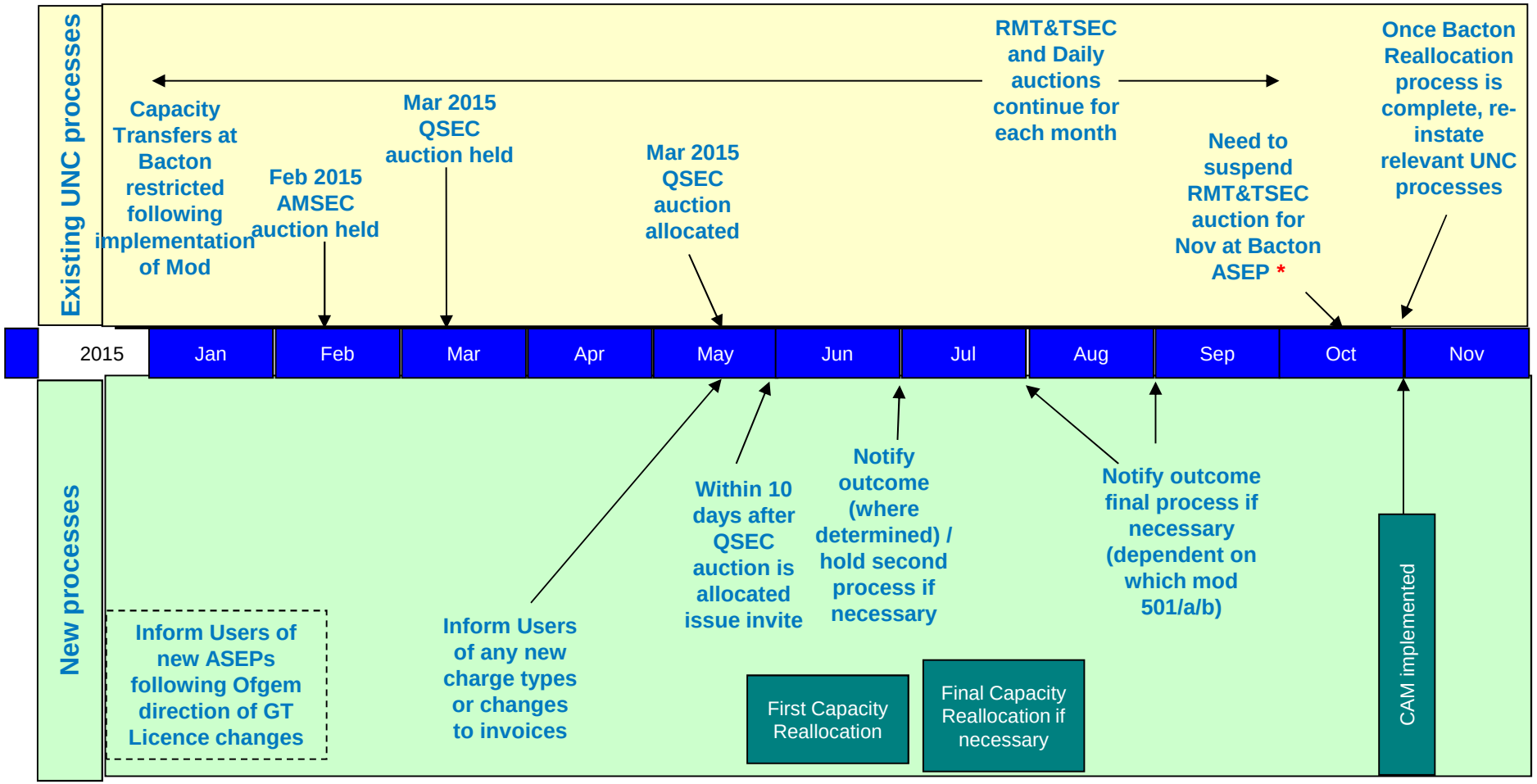
Bacton UNC Mod 501C

Bacton ASEP – ENI's UNC Modification Proposal 501C

- Builds on UNC Mod 501A proposal in relation to capacity reallocation and cancellation (capped at 73% - which is the % of current obligated capacity at Bacton ASEP which may be moved to the new Bacton IP ASEP – Licence dependent)
- Introduces two new capacity processes
- Both of the new processes are currently under analysis, development and assessment from both a systems and regulatory framework perspective –
  - A shipper level overrun calculation whereby the quantity of existing/re-allocated Bacton ASEP may be interchangeable at either of the two new Bacton ASEPs to reduce, to zero if possible, a potential overrun charge
  - Reimbursement of a shipper's costs of acquiring bundled capacity (NG cost component only)
- 501C Development Workgroup Meeting dates: 28th Nov, 11th Dec & 7th Jan

Bacton UNC Mod Proposal Timeline

Timeline for Bacton Reallocation Process (501 / 501A / 501B)



* The day ahead auction for Bacton UKCS and Bacton IP will commence on the 31st October

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Future Topics

Future Topics

Topic Area	Area of change	Provisional Date
REMIT		January 2015
Bridge to 2025		January 2015
Interoperability & Data Exchange (INT)	Ancillary Agreements (Modification)	January 2015
	Governance proposals for changes to Interconnection Agreements	January 2015
Tariffs		Monthly updates whilst progressing through comitology
Incremental		Monthly updates whilst progressing through comitology