

European Workgroup



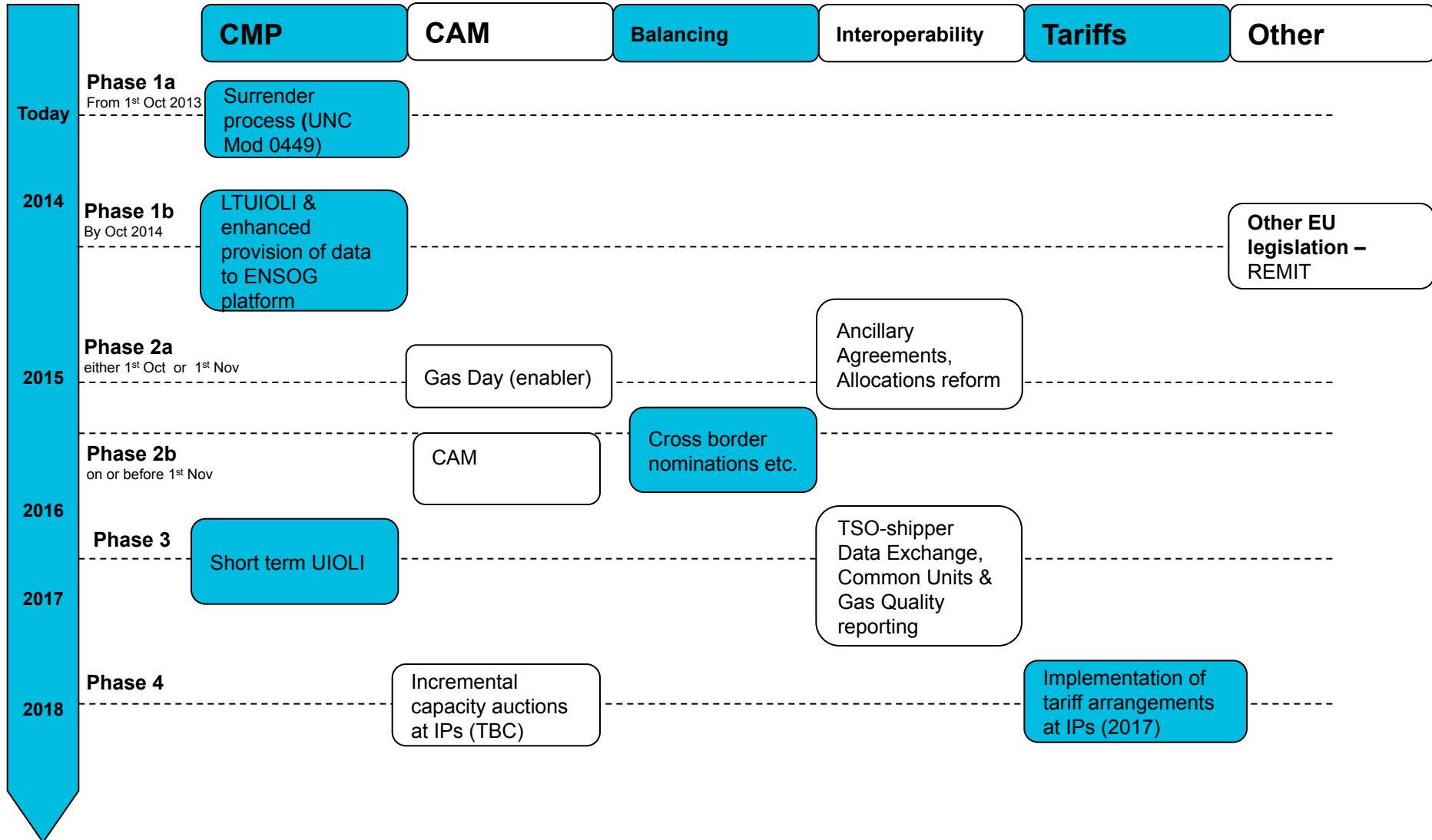
8th January 2015

1. General Update

Code Status Update

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

Road Map



2. EU Code Updates

EU Tariffs Code Update

EU Tariff Code

- 17th Dec: ENTSOG General Assembly – formal approval and agreement to submit to ACER
- 26th Dec: ENTSOG submitted TAR NC for ACER Reasoned Opinion
- Document published on ENTSOG Website
 - <http://www.entsog.eu/publications/tariffs#TAR-NC-SUBMITTED-TO-ACER>
 - Also published with
 - Comparison with refined draft TAR NC of 7th Nov. and final draft TAR NC of 26th Dec.
 - Accompanying Document explaining changes and deviations

EU Tariff Code changes

- Partial non-application of Scope (Art. 2.5):
 - *Upon duly substantiated reasonable request of a transmission system operator submitted to the competent authority(-ies) within twelve months as from the entry into force of this Regulation, a Member State may apply through such competent authority to the Commission for partial non-application of this Regulation with respect to the transmission system of such transmission system operator. Where the partial nonapplication of this Regulation is granted, Chapter II or a part of Chapter II indicated by the Commission shall not apply and the other provisions of this Regulation shall apply, mutatis mutandis.*

EU Tariff Code changes

- Increase in Consultation requirements (Art. 21.3):
 - *The national regulatory authority shall take and publish a motivated decision, including with regard to commodity-based transmission tariffs referred to in Article 4(2)(a) and (b) and alternative capacity- or commodity-based transmission tariffs referred to in Article 4(5),*
 - *For the transmission tariffs for the storage facilities, the decision of the national regulatory authority shall contain a detailed explanation of how the requirements of Article 20(1) to (3) have been taken into consideration.*

EU Tariff Code changes

- Refinement of text protecting fixed-price legacy contracts (Article 50):
 - *This Regulation shall not affect the price level of transmission tariffs foreseen in the contracts which are concluded before the entry into force of this Regulation where such contracts foresee no change of their level except for the indexation, if any.*

ACER/EC/ENTSOG Trilateral (9th Dec)

- Agreement between parties that TAR NC needs to be amended prior to start of comitology procedure
- The partial non-application clause will remain as a 'place holder' while other alternatives are discussed with the Commission;
- The 5th costs allocation methodology may change into an alternative pre-methodology split dependent on discussions during ACER's reasoned opinion.

ACER/EC/ENTSOG Trilateral (9th Dec)

- Compromises for 3 proposals to be agreed in Jan 2015
- (1) Provision of binding tariffs prior to the annual yearly capacity auctions :
 - moving the annual yearly capacity auctions to June/July;
 - reconciliation amendments
 - harmonised tariff setting year

ACER/EC/ENTSOG Trilateral (9th Dec)

- (2) Developing proposals for fixed prices:
 - for existing capacity to allow the under recovery risk to be placed on the TSO
 - for incremental capacity to allow for the initial booking period (up to 20 years) (with risk sharing element on under recovery?)
- (3) Develop a refined definition of transmission and dedicated services based on the principle that costs by default is allocated to transmission services unless specific criteria are met for categorising as dedicated services.

ACER/EC/ENTSOG Trilateral (9th Dec)

- Other areas for compromise (to be agreed prior to ACER's reasoned opinion in March 2015)
 - Multiplier cap
 - Application of cost allocation methodology in multi-TSO entry/exit systems
 - Pricing of physical backhaul capacity
 - Partial non-application clause
 - 5th cost allocation methodologies
 - Approach to the description of cost allocation methodologies

EC Impact Assessment

- The EU Commission has initiated an Impact Assessment Study on the draft TAR NC and the draft INC Proposal.
- The study will be conducted by PWC/Strategy&, Italy.
- PWC/Strategy& has developed a questionnaire to be completed by all TSOs and NRAs.
- The deadline for responding to the questionnaire is January 30, 2015.

EC Impact Assessment

- The questionnaire aimed at collecting relevant data to compare policy options against Business as Usual (BAU) scenario
- The specific objectives of the questionnaire are:
 - Understand the current regulatory context for transportation of gas in Europe
 - Collect useful data to perform the quantitative assessment of NC TAR, i.e. compare the "to-be" tariff structures vs. baseline
 - Preliminary findings due March 2015
 - Final Report May 2015 for Commission

EC Comitology timeline

- Dates have been set for 2015 for comitology process
- **19th March:** 1st informal meeting
 - Preliminary IA findings available plus 26/12/14 version of TAR NC
- **16th June:** 2nd informal meeting
 - Final IA report will be available plus ACER approved version of TAR NC
 - For TAR NC to be available requires revised draft by end March 2015
- **17-18th September:** 1st Formal Comitology Meeting
- **December:** 2nd Comitology Meeting

EU Incremental Amendment Update

EU Incremental Amendment Update

- Timeline for Incremental Proposal follows that for the TAR NC
- Changes made following SSP
 - Longer publication lead-time
 - Alignment of booking horizon with duration period for exempted infrastructure
 - Embed fixed price option deeper into the process
 - Some clarifications for legal and readability reasons
- Text retains use of auctions as the first step in allocation phase of open seasons but shall be reviewed during ACER's reasoned opinion process

3. UNC Modification Plans

Phase 2 UNC Modifications

Potential Timescales

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	March 2015
	Interconnection Agreements and Ancillary Agreements	February 2015	3 Months	June 2015

4. Draft Modifications

Interconnection & Ancillary Agreements: UNC Modification Proposal

What needs to be done before 1st October 2015

1. Amendments to the Interconnection Agreements (IAs)
 - Shipper consultation;
 - Ofgem approval under ILC 3(I) condition of the Interconnector Licences
2. UNC governance arrangements for future amendments to the IAs
3. Liability provisions
4. Inclusion of relevant clauses from Ancillary Agreements (AAs) within UNC European Interconnection Document (EID)
5. Provisions to terminate the AAs

Process

- National Grid NTS initial proposal was for a suite of INT related modifications
- Feedback at December's EU Workgroup suggested a different approach would be more suitable
- National Grid NTS investigated a number of options based on the feedback: -
 - Suite of mods;
 - Expanding Mod 510 to include AAs plus another mod for IAs amendments and governance;
 - A single mod

Preferred Process Option: Single Modification

- Proposal brings all elements together into a single modification
- A pragmatic approach to achieve challenging modification timescales and implementation date
- Provides visibility of the entirety of the changes
- Minimises workload for all parties e.g. meetings, doc' s etc.

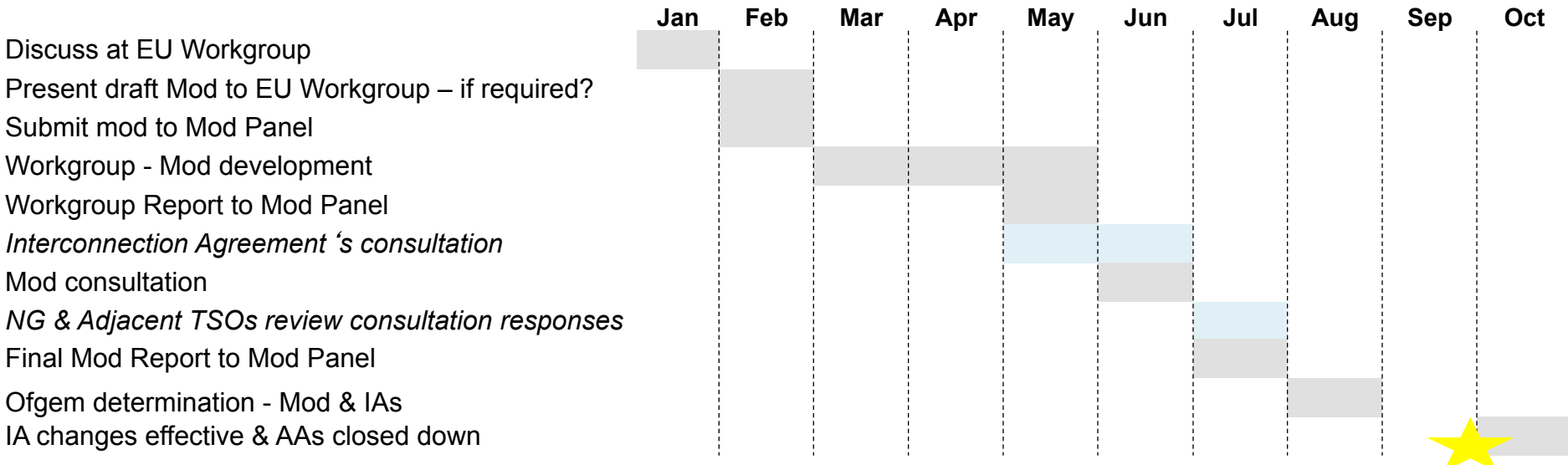
What the Mod will seek to achieve

1. Enable Shipper consultation on IA changes outside of the Mod process
 - To make timescales achievable;
 - To permit consultation on new sections outside Network Entry & Exit provisions that affect Shippers;
 - Remains a controlled process governed by Ofgem who will continue as normal to approve changes via the Interconnector Licence
2. Establish UNC governance arrangements for future amendments to the IAs
 - For network entry & exit provisions, matching, capacity, OBAs and communications in exceptional events

What the Mod will seek to achieve - continued

3. A liability provision to prevent NTS Shippers pursuing UNC related claims against adjacent TSOs
 - Shippers retain ability to make claims through any other contract they may have with the adjacent TSO
4. Include relevant clauses from AAs within UNC European Interconnection Document (EID)
5. Addition of provisions within the AAs that will terminate them

Proposed Timeline – IA & AA UNC Mod



INT Code Article 4 (2) defines that Shippers are to be consulted at least 2-months prior to the changes to the Interconnection Agreements taking effect

Summary

- National Grid NTS intends to raise a single modification to incorporate all of the IA elements at February's Mod Panel
 - Shippers are consulted on IA changes (though outside the Mod process)
 - Ofgem required to approve: -
 - IA changes under licence condition ILC 3 (1);
 - AA changes via the Mod
 - Ensure all issues are considered together and Shippers maintain visibility of all the impacts
 - Deliver what would otherwise be unachievable in the timescales

4. AOB

EU Gas Quality Harmonisation Update

- The CEN Working Group met in Nov/Dec 2014 to consider the consultation responses
- Agreement could not be reached on a harmonised range for Wobbe-Index
- It is therefore expected that:
 - Initially, only non-combustion parameters will be included in the standard
 - Further studies will be initiated to deal with Wobbe-Index
 - A harmonised WI range will be incorporated as an amendment to the standard in the future

Future Topics

Future Topics

Topic Area	Area of change	Provisional Date
REMIT		February 2015
Bridge to 2025		February 2015
Interoperability & Data Exchange (INT) Code	Interconnection Agreements and Ancillary Agreements (Draft Modification)	February 2015
Tariffs		Monthly updates whilst progressing through comitology
Incremental		Monthly updates whilst progressing through comitology