

European Workgroup



European Workgroup
6th November 2014

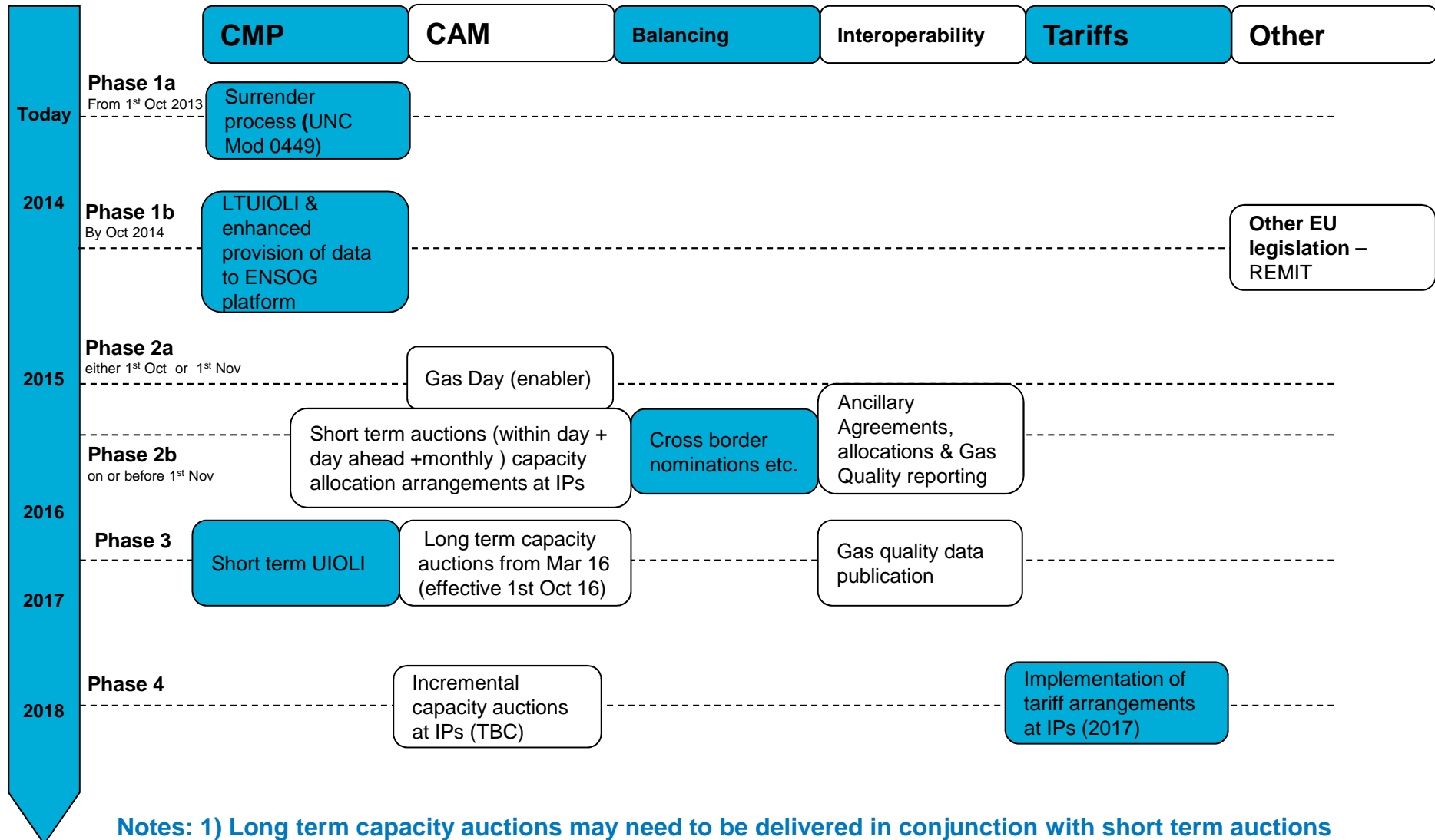
1. General Update



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)	In comitology, meeting held 10 th July 2014, next meeting scheduled for 3 rd and 4 th November 2014. <u>National Grid NTS will provide an update about the outcomes from the comitology meeting at the EU Workgroup meeting</u>	1 st April 2016 compliance date
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



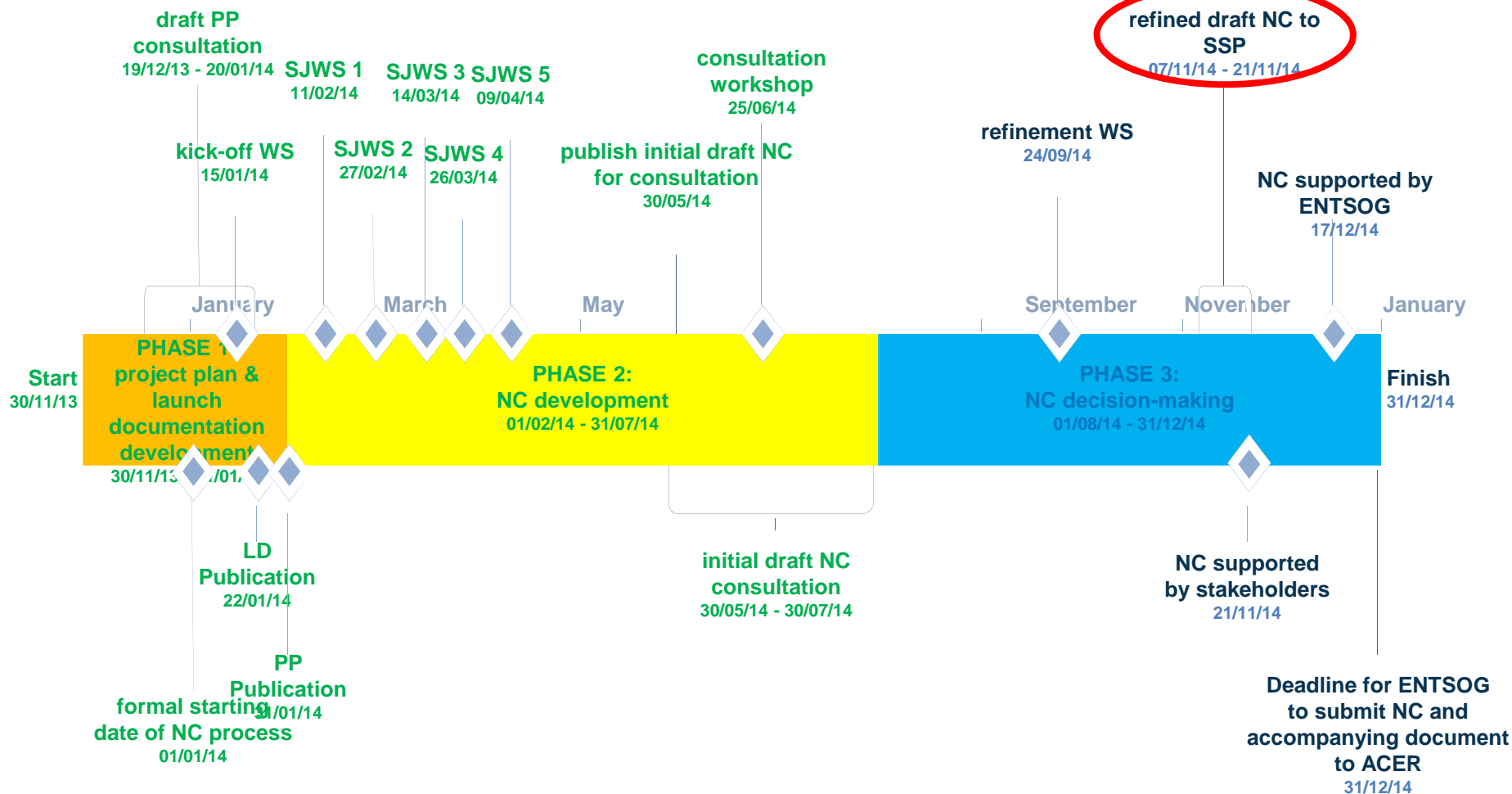
EU Tariffs Code Update

EU Tariff Code Timeline

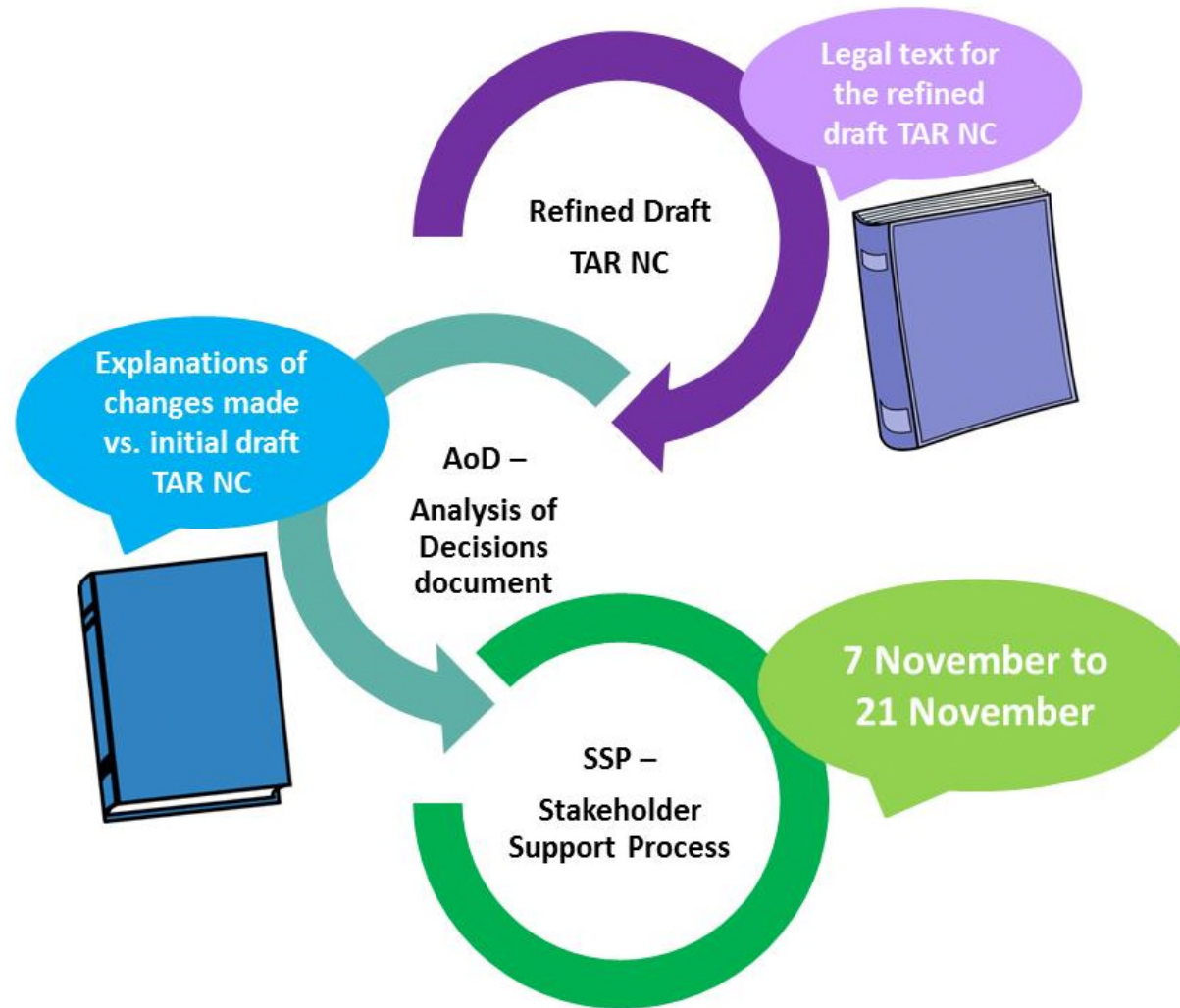
nationalgrid



refined draft NC to SSP
07/11/14 - 21/11/14



Stakeholder support process



Next Steps

■ What is AoD?

- Before adopting [...] the network codes [...] the ENTSO for Gas shall indicate how the observations received during the consultation have been taken into consideration. It shall provide reasons where observations have not been taken into account. (Article 10.3 of the Gas Regulation)

■ What is SSP?

- A consultation in form of a Stakeholder Support Process shall give the stakeholders the opportunity to express their support of or their disapproval with a *[refined]* draft Network Code (Article 26(4) of ENTSSOG's Rules of Procedure)

■ What is next?

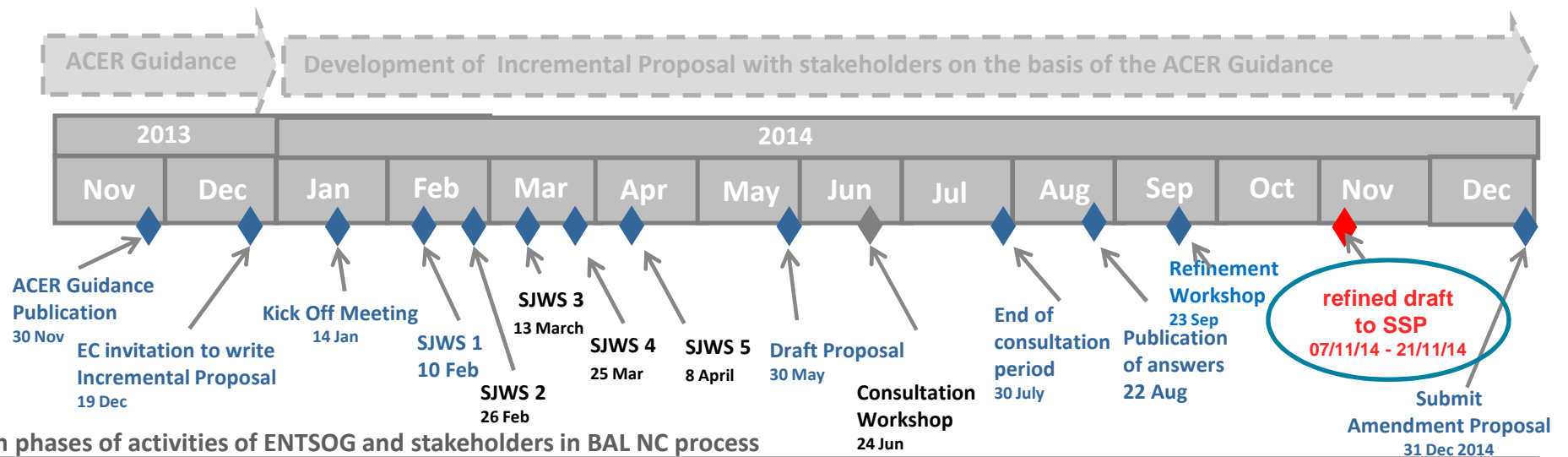
- The Board shall submit the draft Network Code to the General Assembly for approval accompanied by a report on the results of the Stakeholder Support Process. After approval by the General Assembly the General Manager shall submit the Network Code to the Agency for its opinion. (Article 28.7 of ENTSSOG's Rules of Procedure)

EU Tariff Code: Refined Draft

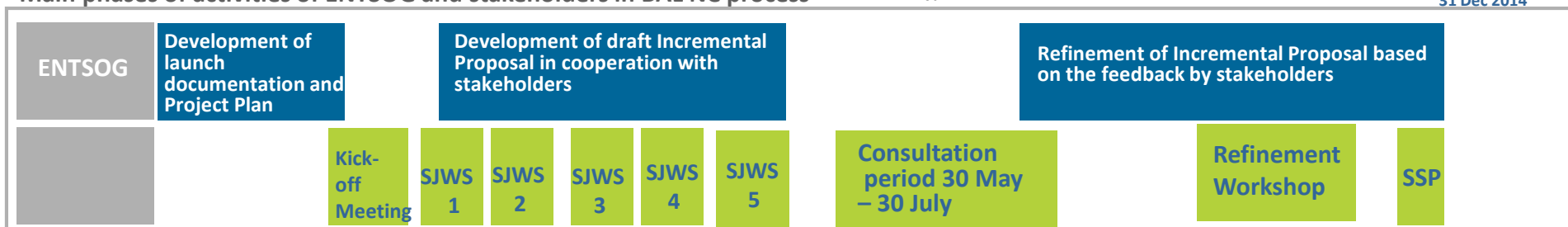
EU Incremental Amendment Update



Timeline for incremental proposal national grid Development and consultation overview



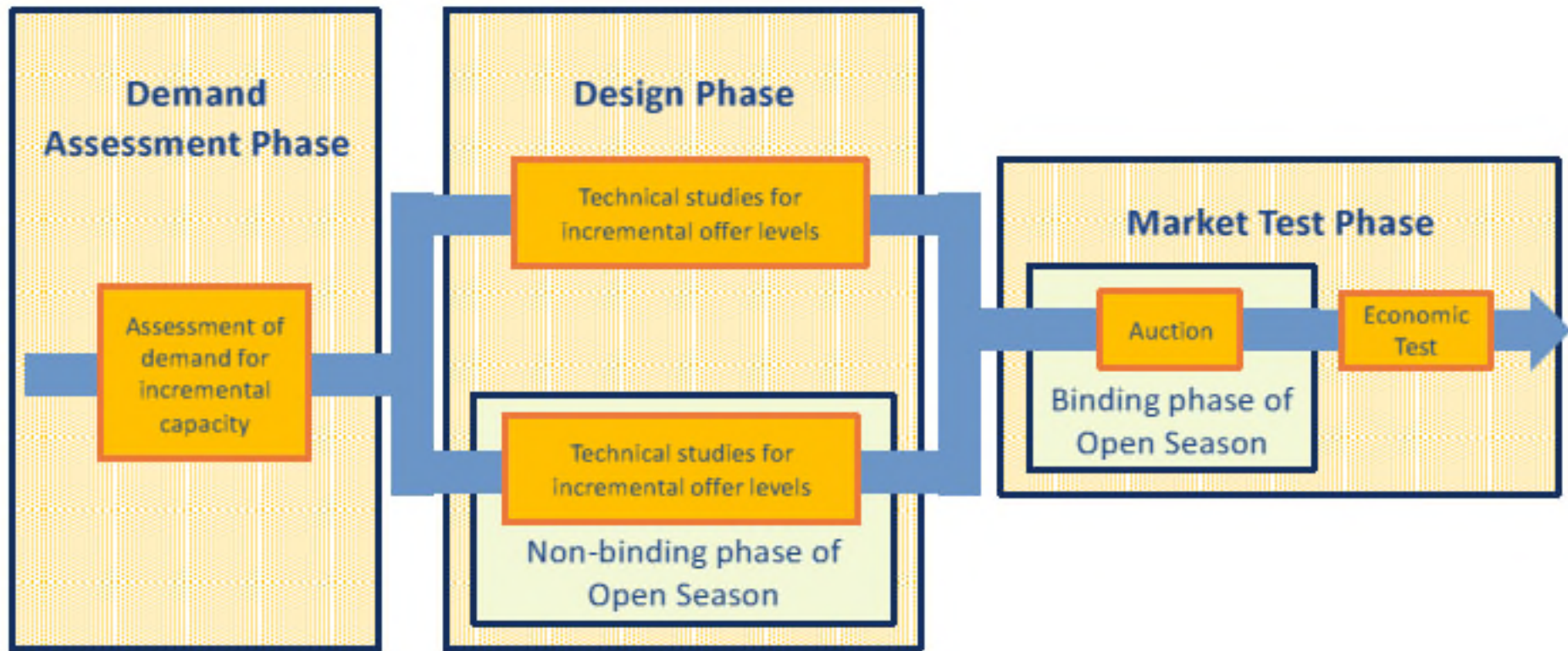
Main phases of activities of ENTSOG and stakeholders in BAL NC process



Consultation Responses

- ENTSOG published Draft Incremental Proposal on 28 May and held a public consultation until 30 July 14
- ENTSOGs impression of the responses is in general quite positive: Most respondents support the Draft Incremental Proposal in principle and appreciate the work done by ENTSOG
- Main issues raised in the consultation:
 - Increase clarity and preciseness by streamlining the incremental offer process
 - When to apply open season procedures
 - Role and impact of tariffs on incremental capacity

Streamlined incremental process



Ongoing co-ordination among TSOs and NRAs involved along the process



When to Apply Open Seasons

If at least one of the criteria is met for at least one of the involved entry-exit-systems:

- The project involves more than two entry-exit-systems or is linked to or impacted by the realisation of an exempted infrastructure
- Conditional commitments are envisaged
- The required offer levels cannot be efficiently derived from the demand assessment
- The effective 10 year booking horizon of auctions is foreseen not to be sufficient to pass the economic test at the reserve price
- TSOs and NRAs chose an iterative process for a possible redistribution of revenues

Impact on Tariffs on Incremental Capacity

- Viability of an investment via the incremental capacity route is determined by an economic test:

$$\text{Present value of user commitments} \geq \text{f-Factor} \times \text{Present value of increase in regulated revenues}$$

- Long(er)-term user commitments are essential for market-based investments
- Network users state reluctance to commit long-term because of the unknown payable price

An option for fixed tariffs for incremental capacity is deemed necessary by ENTSOG and stakeholders to enable long(er)-term commitments on which investments can be based.

**EU Interoperability Code:
Common Reference Conditions
Proposed Solution**



NOTE

This group of slides assumes that the Interoperability Code comitology meeting on 3rd and 4th November 2014 establishes 0/25 reference conditions as the harmonised standard. National Grid NTS will update the Workgroup about this assumption at the meeting on 6th November.

Background

- This issue has been debated in recent Workgroup meetings
- National Grid NTS intends to raise a Modification to November Panel consistent with views expressed at the last meeting:
 - Commercial activities at the IPs (capacity booking, nominations, matching, allocations) all conducted at 0/25
 - Difference between the shipper allocation at 0/25 and what it would be at 15/15 added to IP shippers' imbalance
- These slides further describe the proposed solution
- A draft Modification has been published for comment

Proposed Solution: CAPACITY BASELINES

- Current IP baseline figures remain unconverted
 - Indirect effect is a very small increase to NG obligations
 - Moffat = 0.4 GWh increase (433.4 GWh x 0.001)
 - Bacton = 1.2 GWh increase (1,200¹ GWh x 0.001)
- Reference conditions are not specified in the Licence hence no change to the Licence is required
- NG proposes to clarify the application of different reference conditions in a forthcoming review of capacity release methodologies driven by EU changes

¹ Assumed Bacton IP baseline post split (illustrative purposes only)

Proposed Solution: CAPACITY BOOKINGS

- Existing bookings at the IPs:
 - Remain unconverted
- Future bookings at the IPs:
 - Gemini sends unsold capacity at the IPs to PRISMA unconverted
 - GB shippers bid for IP capacity on PRISMA at 0/25
 - GB shipper bookings are not converted when 'downloaded' to Gemini

Proposed Solution: ENERGY (NOMINATIONS)

- Shippers at both sides of the IPs nominate at 0/25
 - i.e. if the nomination is within the shipper's 0/25 capacity entitlement no overrun charge will apply
- TSO-TSO matching process at 0/25
- Confirmed Quantities sent to shippers either side of an IP by their TSO at 0/25

Proposed Solution: ENERGY (ALLOCATIONS)

- 'Allocate as nominate' regime results in shipper allocations at 0/25
- Capacity overrun assessment determined based on the 0/25 allocation
- Add an extra line ('balancing allocation'(?)) to each IP shipper's Gemini account containing the difference between its 0/25 allocation and the equivalent value at 15/15

- Example:

Shipper NTS entry nomination from IUK = 100,000 kWh

Shipper Confirmed Quantity after matching = 100,000 kWh

Shipper allocation = 100,000 kWh

'Balancing allocation' = 100 kWh (100,000 * 0.001)

Quantity available for GB offtake/trading = 100,100 kWh

Proposed Solution: INVOICING

- An extra line(s) detailing the ‘balancing allocation’ will appear on the shipper’s energy balancing invoice
- Transportation invoicing (commodity charges) will be based on the 0/25 allocation
 - NG will need to ensure commodity charge setting and revenue collection is done on a consistent basis

Solution Assessment

Pros	Cons
Compliant with EU Codes	UNC Mod required – decision unlikely before Summer 2015
Ringfences application of 0/25 to IPs only	Gemini change required – deliverable for October 2015? Will shipper systems need to be changed too?
Minimises NG intervention	May still need to convert nominations for 'within day balance' viewing on Gemini – shipper views?

UNC Modification – Potential Timeline

- Draft Mod to November Workgroup
 - Feedback welcome today
- Mod to November Panel
- Mod development Dec 14 – Feb 15
- DMR consultation [March / April] 2015
- FMR to Panel [April / May] 2015
- Ofgem decision [June / July] 2015

3. UNC Modification Plans



Implementing the European Modifications

- A new section of the UNC - the European Interconnection Document (**EID**) has been created to capture new rules for Interconnection Points encompassing modifications 0493, 0500 and 0510
- The EID will contain only those rules for Interconnection Points which are different from or additional to the rules in the TPD;
- The EID is expected to contain the following sections:
 - Section A – General;
 - Section B – Capacity;
 - Section C – Nominations;
 - Section D - Allocation

Implementing the European Modifications

- It is proposed to provide consolidated legal text for all of the following modifications: 0493, 0500, 0510;
- This reflects the EID approach and in particular the fact that much of the general and definitional text to be included in EID Section A is relevant to more than one modification. This approach means that, while the final modification reports for the relevant modifications may be submitted to Ofgem at different times, it may be preferable to synchronise the decisions and read the EID in its entirety

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	Q4 - 2014
Interoperability & Data Exchange (INT)	OBA's / allocations	August 2014	6 Months	Q1 - 2015
	Interconnection Agreements/Contract Changes (facilitating Modification)	Q1 - 2015	3 Months	Q2 - 2015
	Ancillary Agreements	December 2014	3 Months	Q2 - 2015
	Units (reference conditions)	November 2014	3 months	Q1 - 2015

4. System Developments



Implementation of EU Codes (EU Phase 2 Project): Proposed National Grid Workshop

Proposed Implementation Workshop

- Implementation of EU Codes means that 2015 will be a year of substantial change for the Industry
 - Gas day change
 - New IP capacity booking process
 - New IP nominations process
 - New IP allocations regime
 - Associated systems and procedure changes
- Taking this into account, would further information on delivery of the EU Phase 2 project / discussion on 'how it all fits together' be welcomed by the Industry?

Proposed Implementation Workshop

- If the Industry is in agreement, National Grid NTS proposes to hold a full day workshop open to all industry participants
- The agenda could include:
 - Summary of EU-driven UNC Modifications and the links between them
 - ‘A day in the life of an IP shipper’
 - From capacity booking to allocation
 - NG and shipper systems change requirements
 - Changes required to other agreements

Proposed Implementation Workshop

- Would the Industry welcome such a session? If so:
 - Is our proposed agenda sufficient?
 - What areas should we should focus on?
 - What else should be included?
- Timing: mid-late January 2015
- Location: NG preference is for Warwick because:
 - Conference facilities are available; and
 - A tour of our new National Control Centre could be incorporated

Feedback

- NG is seeking feedback on this proposed workshop from the Gas Operational Forum and UK Link Committee as well as EU Workgroup
- Feedback can also be submitted (by mid-November) to europeanpolicy@nationalgrid.com
- We envisage holding further workshops in 2015 related to the system and process changes in the run-up to the 'Phase 2' implementation

5. AOB



Future Topics

EU Network Code	Area of change	Provisional Date
REMIT		December 2014
Bridge to 2020		January 2015
Interoperability & Data Exchange (INT)	Ancillary Agreements (Modification)	December 2014
	Interconnection Agreements/Contract Changes (facilitating Modification)	Q1 - 2015
Tariffs		Monthly updates whilst progressing through comitology
Incremental		Monthly updates whilst progressing through comitology