

Stage 01: Modification

0510:

Reform of Gas Allocation Regime at GB Interconnection Points

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This Modification Proposal seeks to facilitate compliance with European legislative changes via implementation of new rules regarding gas allocations at GB interconnection points.



The Proposer recommends that this modification should be:

- assessed by a Workgroup



High Impact:
Shippers, National Grid NTS



Medium Impact:



Low Impact:

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About this document:

This modification will be presented by the proposer to the Panel on 21 August 2014.

The Panel will consider the proposer's recommendation and agree whether this modification should be:

- referred to a workgroup for assessment.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

Self Governance procedures are not envisaged because this Modification Proposal is likely to have a material effect on commercial activities connected with the shipping of gas by creating a new gas allocation regime at GB interconnection points.

Is this a Fast Track Self-Governance Modification?

Fast Track Self-Governance procedures are not envisaged because the proposer does not believe that the Modification Proposal meets the self-governance criteria for the reasons stated above.

Why Change?

This Modification Proposal is one of several Proposals which seek to implement relevant provisions of a number of new EU Network Codes. These Codes are being introduced in order to enable progress towards a competitive and efficient EU internal market in gas.

The EU Interoperability & Data Exchange Code ('the INT Code') is expected to require adjacent transporters to agree several mandatory interconnection agreement terms, one of which is 'rules for the allocation of gas quantities'. The default (obligatory) allocation rule is 'allocate as nominate' should the adjacent transporters fail to agree an allocation rule. 'Allocate as nominate' is also obligatory should a request be made for this rule by an interconnection point transporter to its adjacent transporter. National Grid NTS has discussed the proposal with its adjacent transporters who each consider such a reform to be appropriate.

'Allocate as nominate' means that National Grid NTS would allocate gas quantities to each User at the interconnection points equal to its confirmed nominations which will be the value determined by the Transporters in response to the User's Nomination Quantities¹. National Grid NTS requires this allocation rule, for which there is currently no provision in the UNC. Therefore, the UNC needs to be amended to facilitate this type of allocation regime at GB interconnection points.

Solution

National Grid NTS wishes to amend the UNC, and make changes to its systems, in order to facilitate this new allocation method at interconnection points, which will incorporate the following process steps:

- National Grid NTS communicates confirmed nominations to each IP User²
- National Grid NTS allocates gas to IP Users equal to their confirmed nominations
- National Grid NTS and the adjacent transporter allocate the difference between metered quantities and net aggregate confirmed nominations to an Operational Balancing Account (OBA)³.
- National Grid NTS may allocate Users in proportion to measured quantities if either National Grid NTS or an adjacent transporter declares an exceptional event, as defined under the INT Code, and/or there is a difference between Users' confirmed nominations and physical gas flows that would otherwise require National Grid NTS to take system management actions in accordance with its System Management Principles Statement.

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¹ See UNC TPD C1.1.2(e)

² Following a nomination matching process carried out by National Grid NTS and the adjacent transporter

³ Defined in the INT Code as 'an account between adjacent transmission system operators, to be used to manage steering differences at an interconnection point in order to simplify gas accounting for network users involved at the interconnection point'

Relevant Objectives

Implementation of this Modification Proposal would better facilitate achievement of the following relevant objective:

g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

The consequential changes to the UNC will facilitate compliance with expected European legislative requirements.

Implementation

No specific implementation date is proposed. However, National Grid NTS is currently planning to implement the revised allocation arrangements by 1st October 2015, in view of the interdependencies with the European Balancing and CAM Codes and the need for National Grid NTS to make system changes in a timely fashion.

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2 Why Change?

Regulation (EC) No 715/2009 of the European Parliament and the Council of the European Union came into force in September 2009 and introduced a European Network of Transmission System Operators for Gas (ENTSOG). One of ENTSOG's tasks was to prepare legally binding network codes in the form of European secondary legislation to the Gas Regulation (No 715/2009). The aim of the codes is to enable progress towards a competitive and efficient internal European market in gas by the creation of liquid markets, the efficient use of cross-border transmission capacity, and the integration between Member States' gas markets. The EU gas network codes to be established under the regulation include the Interoperability and Data Exchange Code (the INT Code'), which includes rules for the allocation of gas quantities and which is expected to complete its comitology procedure in October 2014 and transition into EU law by March 2015.

In the current GB regime, Users are required (via UNC) to determine their allocations and then to notify National Grid NTS, whereby the net aggregate allocated quantity must be equal to the end of day physical measurement. Current arrangements in respect of interconnection points are that User Agents submit allocations to National Grid NTS on behalf of NTS Users for both entry and exit which, in aggregate, equal the measured gas flow⁴.

Within the INT Code the default allocation rule is for the adjacent transporters to allocate gas to Users equal to their confirmed nominations ('allocate as nominate') with the steering difference allocated to an Operational Balancing Account (OBA) between them. This means that such arrangements become obligatory if either the adjacent transporters fail to agree an allocation rule or if one of the Transporters requests such a rule. National Grid NTS's adjacent transporters each consider such a reform to be appropriate, therefore both UNC and the interconnection agreements need to be amended to facilitate these new allocation arrangements at IPs.

EU Code Provisions Addressed by this Proposal

This Proposal seeks to align the UNC with the relevant aspects of the following articles of the published draft of the Interoperability and Data Exchange Code dated 18 December 2013:

Article (paragraph)	Description
2(1)(a)	Definitions – exceptional event
2(1)(f)	Definitions – measured quantity
2(1)(g)	Definitions – operational balancing account
2(1)(i)	Definitions – steering difference
9	Rules for the allocation of gas quantities

The INT Code is scheduled to complete its comitology procedure in October 2014. National Grid NTS does not expect that its provisions regarding gas allocations at IPs will be subject to material change, and therefore considers it appropriate to raise this Modification Proposal at this time to facilitate timely implementation into systems.

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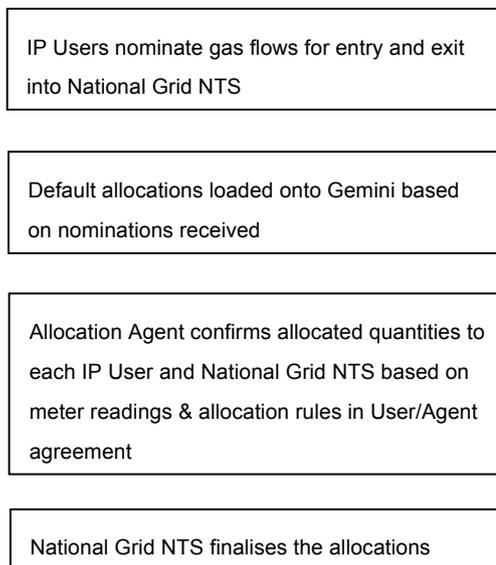
⁴ Arrangements for the discontinuance of the User Agent role in respect of Interconnection Points are proposed to be made separately and do not require change to the UNC

3 Solution

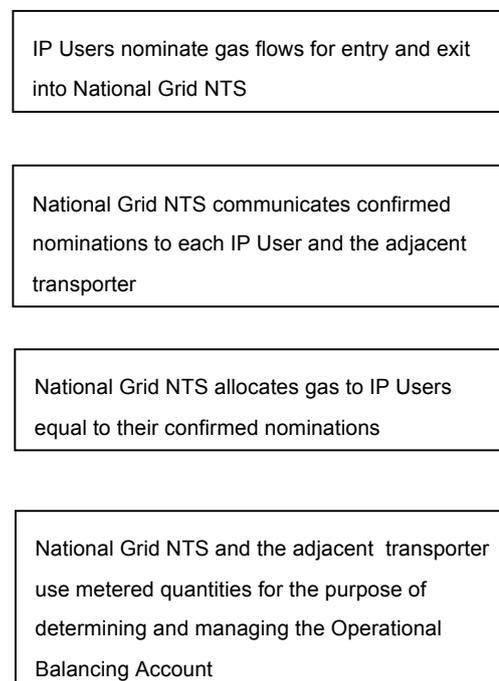
Section E of the Transportation Principal Document includes the current arrangements for gas allocations for all NTS System Entry Points and NTS Connected System Exit Points. It is proposed that the UNC is amended additionally to include arrangements between Users and National Grid NTS to facilitate an 'allocate as nominate' regime at the IPs. For the reasons explained above, the proposed allocation regime at interconnection points, as required by the INT Code, will differ from arrangements in respect of other NTS System Entry Points and NTS Connected System Exit Points. It is therefore necessary to amend the UNC in order to facilitate compliance with the INT Code. National Grid NTS and its adjacent transporters will separately need to incorporate allocation rules into the interconnection agreements.

The differences between the current and proposed allocations processes at interconnection points are shown in the following graphic:

Current Process



'Allocate as nominate' process



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Under 'allocate as nominate' both National Grid NTS and the adjacent transporters utilise the confirmed nominations from the nominations matching process across the interconnection points as the User's allocation. Any gas flow steering difference (the difference between measured gas flow and net aggregated Nominated Quantities) is accounted for within an Operational Balancing Account (OBA). However, in the case of an exceptional event⁵, or other circumstances where the difference between physical and commercial quantities cannot be accommodated by an adjacent Transporter, having regard to the OBA, it is proposed that the Transporters may allocate gas to Users in proportion to the physical measurement. In such exceptional circumstances it is proposed that Users would be allocated equal to their confirmed nominations in the opposite direction of the physical flow and be allocated a proportion of their confirmed nomination in the direction of the physical flow, with the net sum of the allocations in both directions being equal to the end of day measurement.

It is envisaged that reversion to 'allocate as per measured quantities' may only take place if National Grid NTS or its adjacent transporter declares an exceptional event, as defined under the Code, and/or there is a difference between Users' confirmed nominations and physical gas flows that would otherwise require National Grid NTS to take system management actions in accordance with its System Management Principles Statement.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
No User Pays service would be created or amended by implementation of this Proposal and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
N/A
Proposed charge(s) for application of User Pays charges to Shippers.
N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
N/A

This Modification Proposal seeks to amend the UNC to comply with European Network Code delivery into the GB gas regime. It is part of a wider suite of UNC changes that will be proposed to achieve compliance with the European Network Codes. National Grid Transmission has been allocated some funding through the RII0-T1 price control process for EU market facilitation. National Grid expects to be able to utilise this funding to meet the costs of this EU-related change and, where this proves insufficient, it anticipates using the mid-point review as the mechanism to address any funding gaps. Therefore no User Pays charges will be raised in relation to this Modification Proposal.

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⁵ Defined in the INT Code as 'any unplanned event that may cause, for a limited period, capacity reductions, affecting thereby the quantity or quality of gas at a given interconnection point, with possible consequences on interactions between transmission system operators as well as between transmission system operator and network users'

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

- g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

This Proposal will facilitate compliance with European legislative requirements by implementing relevant requirements to align with the new gas allocations rules at Interconnection Points, mandated by the EU Interoperability and Data Exchange Code.

5 Implementation

No specific implementation date is proposed. However, National Grid NTS is currently planning to implement the revised allocation arrangements by 1st October 2015, in view of the interdependencies with the Balancing and CAM Codes and the need for National Grid NTS to make system changes in a timely fashion.

6 Legal Text

Legal text will be provided at a suitable stage during development of this Modification Proposal.

7 Recommendation

The Proposer invites the Panel to:

- Determine that this Modification Proposal should not be subject to self-governance or fast track self governance; and
- Determine that this Modification Proposal should progress to Workgroup assessment for a period of up to six months.

CHAPTER II

9 INTERCONNECTION AGREEMENTS

Article 3

General Provisions

1. In respect of each interconnection point the adjacent transmission system operators shall establish, within twelve months from the entry into force of this Regulation, an interconnection agreement in order to cover at least the following terms:

- (a) amendment process for the interconnection agreement;
- (b) rules for flow control;
- (c) measurement principles for gas quantities and quality;
- (d) matching process;
- (e) rules for the allocation of gas quantities;
- (f) communication procedures in case of exceptional events;
- (g) settlement of disputes arising from interconnection agreements.

Article 9

Rules for the allocation of gas quantities

1. In respect of the allocation of gas quantities rules granting consistency between the allocated quantities at both sides of the interconnection point shall be specified.

2. For interconnection agreements that are in place at the entry into force of this Regulation or for new interconnection agreements, the adjacent transmission system operators may agree to maintain or implement an allocation rule other than the operational balancing account provided that this rule is published and network users are invited to comment on the proposed allocation rule within a period of time of not less than two months.

3. Where an operational balancing account is in force it shall be foreseen that:

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- (a) the steering difference shall be allocated to an operational balancing account of the adjacent transmission system operators and the allocations to be provided by each adjacent transmission system operator to its respective network user shall be equal to the confirmed quantities;
- (b) the adjacent transmission system operators shall endeavour to maintain at all times an operational balancing account balance that is as close to zero as possible;
- (c) the operational balancing account limits shall be set taking into account specific characteristics of each interconnection point and/or the interconnected transmission networks such as:
 - (i) physical characteristics of the interconnection point;
 - (ii) linepack capability of each transmission network;
 - (iii) the total technical capacities at the interconnection point;
 - (iv) gas flow dynamics at the interconnected transmission networks.
- (d) where the defined limits of the operational balancing account are reached, the adjacent transmission system operators may agree to extend such limits.

4. If the adjacent transmission system operators fail to reach an agreement the operational balancing account shall apply. The transmission system operator in control of the measurement equipment shall, in accordance with the deadlines to be mutually agreed, recalculate the operational balancing account with validated quantities and communicate it to the adjacent transmission system operator(s).