

Pre Mod Discussion

2 February 2017

Amendments to the Firm Capacity Payable Price at Interconnection Points

2 February 2017

Why change the rules for Payable Price at IPs?

- Tariff code introduces changes to the rules governing the payable price at Interconnection Points (IPs)
 - **Art 25(1):** requires the payable price for firm capacity at IPs to “float”
 - This already occurs with exit
 - **Art 33:** introduces the concept of a mandatory minimum premium to the payable price for incremental release at IPs.

payable price at IPs

- **TAR NC 25 (1):** *Where and to the extent that the transmission system operator functions under a non-price cap regime, the conditions for offering payable price approaches shall be as follows:*
 - a) *for cases where only existing capacity is offered:*
 - i. *the floating payable price approach shall be offered;*
 - ii. *the fixed payable price approach **shall not be allowed.***
- This applies from **1 October 2017**
- Applicable Daily Rate for Annual Yearly Entry will have to be aligned to that for Exit
 - i.e. adjusted price for year of use

Payable Price at IPs

- Introduces concept of a “Mandatory Minimum Premium” (TAR NC Art 33)
 - May be used to enable positive economic test outcome where “*allocation of all incremental capacity at reference price would not generate sufficient revenues*” to pass test
 - May be applied to incremental release in both auctions and alternative allocation mechanisms

Payable Price at IPs

- Mandatory Minimum Premium (MMP) shall have to be included in **EID**:
 - Added to definition of Auction Price
 - **Reserve Price + share of Auction Premium + MMP**
 - *N.B. There are currently no plans to use auctions for incremental*
 - New definition of Applicable Payable Price required for Alternative Allocation Mechanism
 - **Reserve Price + MMP**

European Update



2 February 2017

1. General Update

Code Status Update

Code	Current Status	Implementation date
CAM amendments	EP/Council Scrutiny UNC MOD 598 raised	EIF 1 April 2017 (tbc)
Incremental Capacity	EP/Council Scrutiny UNC MOD 597 raised	EIF 1 April 2017 (tbc)
Tariffs (TAR)	EP/Council Scrutiny	Applicable from EIF[April 2017] tbc, October 2017, 31 May 2019.
Transparency (TRA)	EP/Council Scrutiny	Applicable from 01 October 2017, First publication May 2018

2. EU Code Updates

EU Tariffs Code Update

EU Tariff Code: Timeline

- **6-8 March 2017:** Latest from EC is this is still expected publication
- **26-28 March 2017:** Entry into Force 20 days after publication
- **29 March 2017?:** Industry Workshop, Brussels
- TAR NC implemented in phases:
 - **Entry into Force**
 - **From 1 October 2017**
 - **Before 31 May 2019**

ENTSOG Activity: Implementation Document

- Document to be completed by end February and approved for publication by ENTSOG Board by mid-March
- Document to support Implementation WS
- Currently 189 pages consisting of:
 - Part 1 'What' - requirements
 - Part 2 'When' - timelines
 - Annexes – explanations and implementation examples

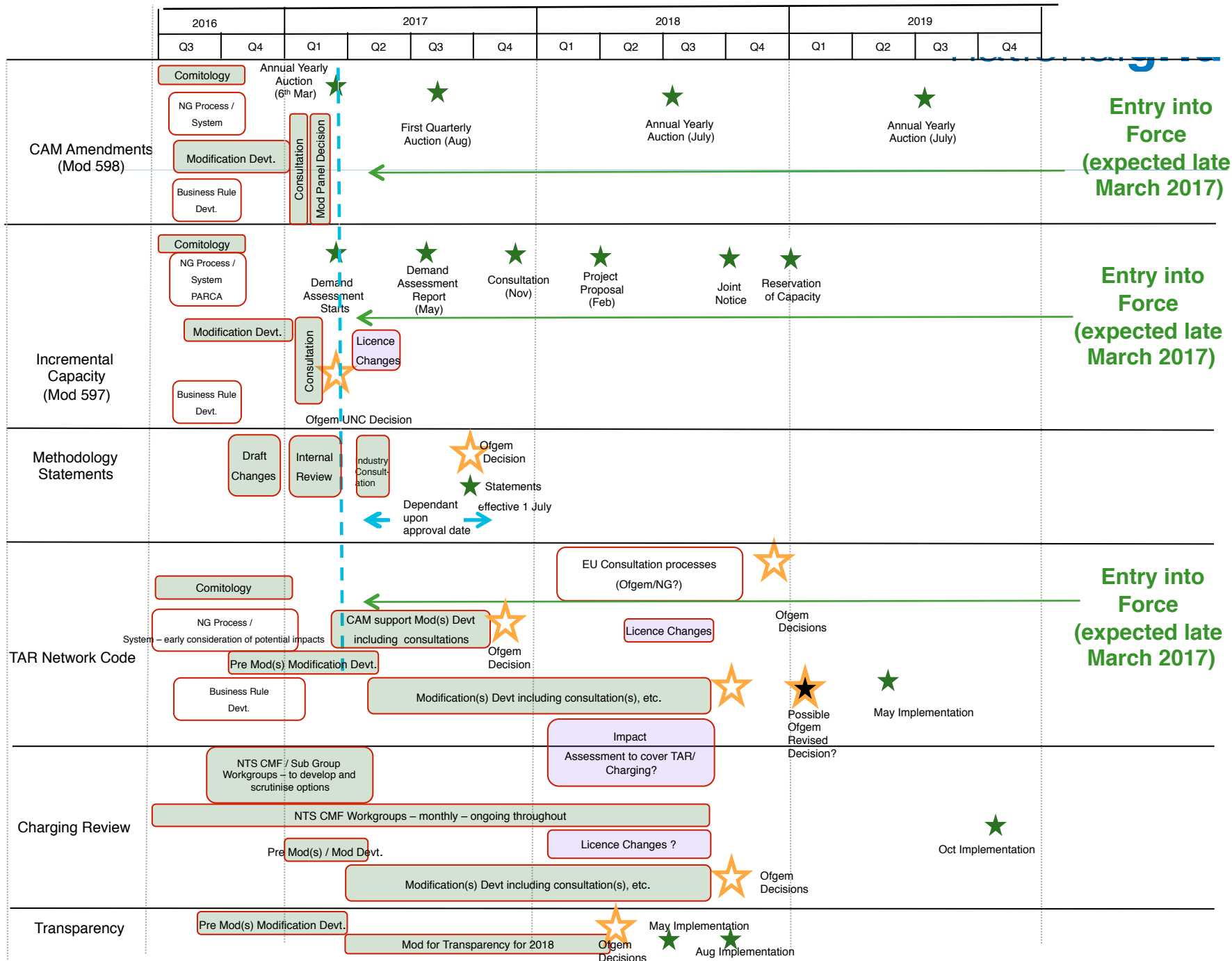
ENTSOG Activity: Tariff Publication

- ENTSOG currently developing number of standardised templates for
 - Publication during Consultation process
 - **Q2 2018?**
 - Publication on ENTSOG Transparency Platform
 - **For July 2018 auction**
 - Publication on TSO's own website
 - **For 1 October 2018 tariff year**

GB Charging Review

- Requirements from TAR NC currently under review
- Sub-group have produced a series of papers on a number of topics (e.g. r/p/m, multipliers, gas vs formula year.....)
 - <http://www.gasgovernance.co.uk/ntscmf/subg>
- UNC Mod(s) raised **Spring 2017**
- Proposed Reference Price Methodology Model to be shared with industry prior to UNC Mods being raised
 - Shall allow Users to model different scenarios and consider impacts of potential changes
- **Target date December 2018 to complete** (align with charges published in 2019)
 - <http://www.gasgovernance.co.uk/ntscmf>

Draft Indicative Timeline



EU CAM Code



CAM Amendments - Mod 0598S Update

- Modification changed to self-governance as now only includes:
 - Annual Yearly Capacity Auction to move from March to July (from 2018)
 - No change to the 2017 auction - opens 1st Monday in March
 - Four Annual Quarterly Capacity Auctions to be held during each capacity year (1st Quarterly Auction August 2017)
- Final development workgroup held 13th Jan
- Mod submitted to 19th January Modification Panel & issued for consultation
- Consultation period 19th January to 10th February (in alignment with Modification 0597 (CAM Incremental))
- Expected EIF date late March

- The modification does not cover TAR related changes
 - A separate Tariff Mod supporting CAM will be raised in February

CAM Incremental – Mod 0597 Update

- Final development workgroup held 13th Jan
 - Modification seeks to align current PARCA arrangements for IPs
- Mod submitted to 19th January Modification Panel & issued for consultation
- Consultation period 19th January to 10th February (in alignment with Modification 0598 (CAM Amendments))
- Expected EIF date late March

- Further changes to the commercial framework are required:
 - Licence updates
 - Methodology updates
 - A separate Tariff Mod supporting CAM to be raised in February

Further CAM Changes Required

- Alignment of Terms and Conditions for the offer of bundled capacity (Article 20)
 - Common template still to be created, which TSO's may apply
- Bundling in case of existing contracts (Article 21)
 - From 1 January 2018, a capacity conversion service shall apply to annual, quarterly or monthly capacity products for bundled firm capacity at that interconnection point
 - Conversion Model to be developed by ENTSOG by 1 October 2017
- Potential 1 day Workshop in Brussels [28th March] to provide information to stakeholders on CAM changes and potential conversion model(s)
- TAR Workshop follows [29th March]

EU Gas Regulatory Change

EU Phase 4a
CAM & Incremental Changes 2017





EU Regulations & Network Codes



UNC Modifications

Modification 0597:
Rules for the release of incremental capacity at Interconnection Points

Purpose of Modification:
To provide a process for acquiring incremental capacity at Interconnection Points that is compliant with the amended EU CAM Code.

The Proposer recommends that this modification should be assessed by a Workgroup. This modification will be presented by the Proposer to the Panel on 20 October 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.

High Impact:
National Grid Gas Transmission; Users.

Medium Impact:

Low Impact:

NG Business Rules

NG Business Rules
CAM
Incremental

NG Business Rules
CAM Non
Incremental

NG Business Rules
Transparency

Modification 0598:
Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations

Purpose of Modification:
This modification seeks to facilitate compliance with the amended CAM Code at Interconnection Points (IPs) by introducing an amended auction calendar and changes to the treatment of capacity at Storage End points.

The Proposer recommends that this modification should be assessed by a Workgroup. This modification will be presented by the Proposer to the Panel on 20 October 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.

High Impact:
Shippers and National Grid NTS

Medium Impact:
N/A

Low Impact:
N/A

Project Scope

CAM & Transparency Changes:

- **CAM Incremental (PARCA):**
 - Process change
- **CAM Amendments Non-Incremental:**
 - Annual Yearly Capacity Auctions
 - Annual Quarterly Capacity Auctions
 - Ensuring quality of MIPI Reports
- **Operational Improvements:**
 - Trading at Bacton
 - legacy Bacton code inactive
 - New Utilisation Monitoring Report
 - New Capacity versus Energy Allocation Reports
 - Improved Quantity Holder Report
 - Improved Reserve versus Clearing Price Report
- **TAR Transparency**
 - Publication of reserve prices on ENTSOG TP for kWh/day for each location
 - Publication of charge on ENTSOG TP for what it costs to flow 1 GWh/day/year for each IP

Implementation

April 2017

Aug 2017

Aug 2017

Aug 2017

National Grid EU Phase 4a Contacts

- EU Phase 4a Queries – Sarah Carrington
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- EU Phase 4a Code Lead CAM – Matthew Hatch
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- EU Phase 4a Code Lead Tariffs – Colin Hamilton
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- EU Phase 4a Charging Review Lead – Colin Williams
 - colin.williams@nationalgrid.com

Future Topics

Future Topics

Topic Area	Provisional Date
Tariffs Code	Monthly updates
Transparency requirements	Monthly updates

Modification 0600S: Amend obligation for the acceptance of EPDQD revisions made after D +5

Context

- UNC states no revisions to the Entry Point Daily Quantity Delivered (EPDQD) will be made after D+5
- National Grid NTS accepting late revisions to ensure accurate shipper allocations
- If late revisions no longer accepted, will have adverse impact on shipper allocations
- Therefore UNC needs to be aligned to reflect current practices
- Propose revised obligation, so EPDQD amendments can be accepted after D+5, but inclusion of new reporting obligation for late amendments

Proposed Revised Solution

- **UNC Changes:**
 - Retain D+5 deadline, but amendments permitted up to 10:00 on M+15
 - Amendments submitted between D+5 and 10:00 on M+15 will be accepted at the discretion of National Grid
 - Discretion will be exercised in a non-discriminatory and non-preferential manner
 - National Grid NTS may make enquiries into post D+5 revisions, and may use results to propose process improvements
- **Non-UNC Changes:**
 - Update generic Network Entry Agreement (NEA) template
 - When existing contracts opened for amendments include EPDQD revisions
 - Engage with all system entry points to inform of change to code
 - National Grid NTS & CVA process improvements

Proposed Legal Text

- 1.4.2 The ~~amount determined~~ Transporter shall:
- (a) accept any revision to ~~be~~ the Entry Point Daily Quantity Delivered ~~in respect of any System Entry Point~~ for ~~the~~ a Gas Flow Day may be revised which is received by it at any time up to and including the 5th Day following a Gas Flow Day, ~~but no~~;
 - (b) have discretion as whether it accepts any revision ~~will be made~~ to ~~such quantity~~ the Entry Point Daily Quantity Delivered for a Gas Flow Day which is received by it after the 5th Day ~~after~~ following the Gas Flow Day and before 10:00 hours on the 15th Business Day of the calendar month following the month in which the Gas Flow Day occurs; and
 - (c) reject any revision to an Entry Point Daily Quantity Delivered which it does not accept in accordance with (a) or (b) above.
- 1.4.3 The Transporter shall avoid any undue preference, or undue discrimination, in the way in which it exercises its discretion under paragraph 1.4.2(b).
- 1.4.4 The Transporter may make enquiries as to why any revision to an Entry Point Daily Quantity Delivered is made in accordance with paragraph 1.4.2 (b) (and not paragraph 1.4.2 (a)) and may use the results of its enquiries to propose improvements to the timely and accurate revision of any Entry Point Daily Quantity Delivered in future.

Proposed Revision

- January – CVA and Workgroup were supportive of proposed solution, but requested clarity regarding how National Grid NTS's 'discretion' would be used
- National Grid NTS do not currently reject any EPDQD revisions made after D+5
- Operational team sense checks the data, if any anomalies, will contact the site to query revision – they will not reject the revision
- Currently cannot specify when National Grid NTS would reject a revision, and risk being too prescriptive if we do put criteria in UNC

Proposed Revision

The Transporter shall avoid any undue preference, or undue discrimination, in the way in which it exercises its discretion under paragraph 1.4.2(b).

- National Grid NTS has set a precedent for accepting post D+5 revisions
- It will become more and more difficult to reject revisions over time when similar revisions have previously been accepted
- This should provide protection for sub-terminals and shippers going forward

Next Steps

- Submit revised Mod to Panel
- Continue to investigate and implement opportunities to improve National Grid NTS and CVA processes and data
- Engage with system entry points on changes to the NEAs

Modification 0605S: Amendments to TPD Section K – Additional Methods to Procure and Dispose of Operating Margins Gas

Modification 0605S – Workgroup Actions

- Action 0101 (a) - With regard to Operating Margins related trading, what trading platforms can be used and what licence restrictions/limitations might apply to this activity:
 - Trading platforms available are brokered markets, Over the Counter (OTC) and trading exchanges such as ICE Endex

Modification 0605S – Workgroup Actions

- Action 0101 (b) - Publishing requirements with regards to NTS trades (current/Proposed):
 - Currently
 - Operating Margins Gas tenders and results are published
 - Operating Margins gas data trading is published in the annual Procurement Guidelines Report
 - Proposed – continue with current methods
 - i.e. where we elect to tender, the process continues as is; and
 - where a trade is taken it will be published up to 12-months later, limiting transparency

Actual Procurement Guideline Report 2015/16

1. Operating Margins (OM)

The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.

Service Component	Component Description and Details				
Gas Procurement	<p>National Grid (OM) utilises this service to address an Operating Margins gas deficit at a given storage facility where National Grid holds Operating Margins Capacity Arrangements. National Grid (OM) either issues a tender to Users to meet its requirements or injects gas that has been withdrawn from storage facilities with an Operating Margins gas surplus. Typically, National Grid invites Users to offer to sell gas either in store or at the NBP although National Grid may contract for the purchase of OM gas (as to all or any part of its requirements).</p> <p><i>No gas purchases have occurred between 1 April 2015 and 31 March 2016.</i></p>				
Gas Disposal	<p>National Grid (OM) utilises this service to address a gas surplus at a given storage facility where National held Operating Margins Capacity Arrangements. National Grid (OM) either issues a tender to Users to or withdraws gas to inject into storage facilities with an Operating Margins gas deficit. Typically, National bid to buy gas either in store or at the NBP.</p> <p>For the period 1 April 2015 – 31 March 2016, National Grid (OM) procured this service as follows:</p>			<p>Grid holds or has meet its requirements Grid invites Users to</p>	
	Month	In-store quantity (kWh)	NBP quantity (kWh)	In-store weighted average price (p/kWh)	NBP weighted average price (p/kWh)
	May-15	13,701,550	0	1.600	N/A

Actual Procurement Guideline Report 2015/16

3. Shrinkage

The NTS Shrinkage Provider manages the risk exposure associated with the shrinkage account. Shrinkage covers gas for own use (running of compressors, vented gas, gas used for preheating) and to cover any gas losses (unidentified theft, meter errors, leakage) and CV shrinkage associated with variations in calorific value of gas. The account is subject to normal cash-out arrangements if the daily gas quantities delivered to the system do not match the Daily Shrinkage Quantities.

National Grid manages this service by trading gas at the beach or at the NBP, following the approval of Network Code Modification Proposals 0579 (Feb 2003) and 0599 (April 2004)

Service Component	Component Description and Details						
NBP Trades	<i>For 1 April 2015 to 31 March 2016, National Grid procured NTS shrinkage via NBP trades as follows:</i>						
	Month	Total Quantity Purchased (kWh)	Purchase Cost (£)	Weighted Average Purchase Price (p/kWh)	Total Quantity Sold (kWh)	Sell Revenue (£)	Weighted Average Sell Price (p/kWh)
	Apr-15	273,992,078	£4,676,828	1.70692	14,800,086	£232,710	1.57236
	May-15	274,167,921	£4,677,330	1.70601	72,974,679	£1,100,655	1.50827
	Jun-15	320,766,210	£5,340,510	1.66492	39,418,050	£575,480	1.45994
	Jul-15	296,001,710	£4,641,406	1.56803	78,484,414	£1,167,217	1.48720
	Aug-15	578,668,690	£8,361,297	1.44492	732,678	£9,425	1.28638
	Sep-15	320,619,674	£4,952,488	1.54466	10,872,934	£152,178	1.39960
	Oct-15	401,858,955	£6,227,572	1.54969	1,318,820	£18,150	1.37623
	Nov-15	429,114,558	£6,521,249	1.51970	0	£0	0.00000
	Dec-15	626,820,255	£8,952,614	1.42826	1,465,355	£17,410	1.18811
	Jan-16	324,429,597	£4,595,766	1.41657	6,594,098	£74,790	1.13420
	Feb-16	292,572,779	£4,158,842	1.42147	732,678	£7,213	0.98440
	Mar-16	297,906,672	£4,293,773	1.44131	33,996,236	£337,760	0.99352

Modification 0605S – Workgroup Actions

- Action 0101 (c) - Details of any related incentives and clarity on which party (ies) bears the costs in the event of a trading error made by National Grid NTS:
 - There are no incentives for Operating Margins gas; and
 - Trading errors would be borne by Shippers
 - It is a low probability that a mistake could occur for a trade as it would be for during a tender

AOB

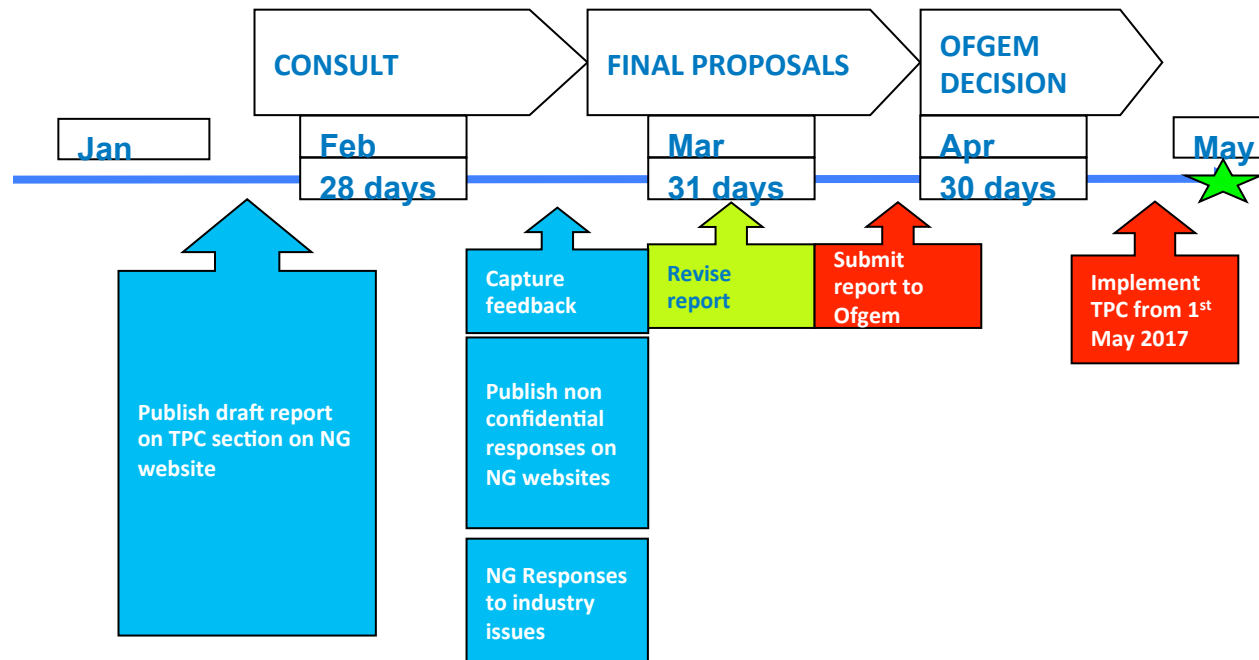


Negative Implied Flow Rate (NIFR)

Transmission Planning Code Review 2017

Transmission Planning Code Update

- Draft TPC 2017 was published¹ on 31st January 2017 for consultation
- Responses are due in 28th February 2017
- For further information please contact Ben Parkinson at ben.parkinson@nationalgrid.com or ntsinvestment@nationalgrid.com



1. <http://www2.nationalgrid.com/UK/Industry-information/Developing-our-network/Gas-Transportation-Transmission-Planning-Code/>