

Stage 01: Modification

0XXX: *(Joint Office to insert number)*

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:
Insert name(s) of impact



Low Impact:
Insert name(s) of impact

0xxx

Modification

July 2014

Version 1.0

Page 1 of 10

© 2014 all rights reserved

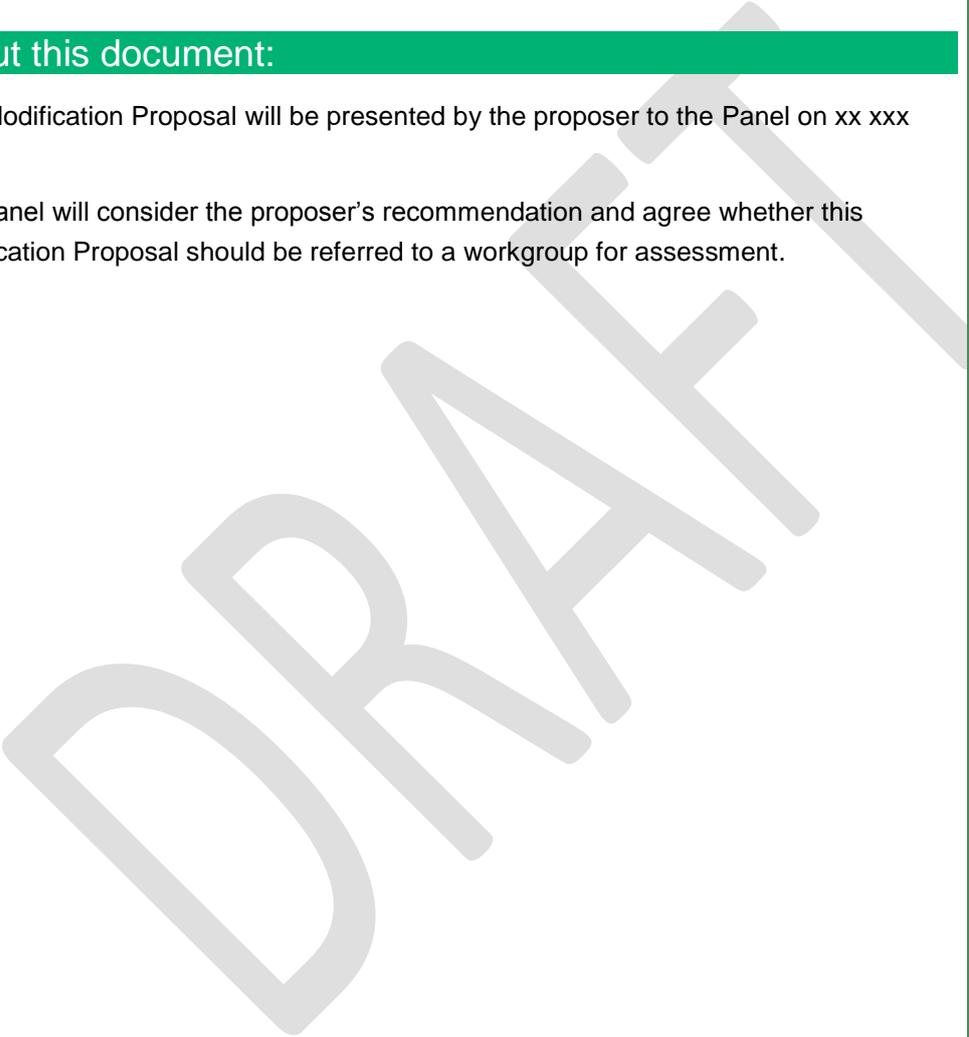
Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Implementation
- 6 Legal Text
- 7 Recommendation

About this document:

This Modification Proposal will be presented by the proposer to the Panel on xx xxx 2014.

The Panel will consider the proposer's recommendation and agree whether this Modification Proposal should be referred to a workgroup for assessment.



3 Any questions?
5 Contact: Code Administrator
6 enquiries@gasgo vernance.co.uk
7 0121 288 2107
8 Proposer: Martin Connor
8 martin.connor@nation algrid.com
8 01926 653847
8 Transporter: National Grid NTS
martin.connor@nation algrid.com
01926 653847
Systems Provider: Xoserve
commercial.enquiries@xoserve.com
telephone
Additional contacts: Insert name
email address.
telephone

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 how, in respect of interconnection points (IPs), gas is allocated through the introduction of 'allocate as nominate with OBA' rather than through the current 'allocate as per measured gas quantities'¹. Changes are therefore proposed to the existing gas allocation method applicable at IPs (only), and to associated processes between Users active at IPs and National Grid NTS.

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 a number of 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 internal market in gas.

The EU Interoperability & Data Exchange Code ('the Code') is expected to require there to be an interconnection agreement (IA) in place applicable to each IP. The Code also stipulates several mandatory IA terms, one of which is 'rules for the allocation of gas quantities'. The default (obligatory) allocation rule is 'allocate as nominate with Operational Balancing Account'(OBA) should the adjacent Transporters fail to agree an allocation rule. 'Allocate as nominate with OBA' is also obligatory should a request be made for this rule by an IP Transporter to its adjacent IP Transporter. National Grid NTS has discussed the proposal with its adjacent Transporters who each consider such a reform to be appropriate. Therefore the UNC needs to be amended to facilitate this type of allocation regime at GB IPs.

Compliance with the Code is expected to be required from 31 March 2016. There will be certainty regarding a compliance date following the second comitology meeting in October 2014. National Grid NTS is planning to comply by October 2015 given the interdependencies between the Code and the EU Gas Balancing of Transmission Networks Code ('Balancing Code') and the Capacity Allocation Mechanism Code ('CAM Code'). The Interoperability and Data Exchange Code content on allocations is not expected to change materially. In order to ensure compliance by October 2015 it is necessary to introduce this Modification Proposal before the Code is completed in order to allow sufficient time for Workgroup development.

Solution

The provision of new rules, through referencing in UNC TPD Section E to a new UNC document on IPs, is proposed in order to enable National Grid NTS to allocate gas to IP Users. Such allocations would be equal to IP Users' Confirmed Quantities from the new nominations matching process, with contingency arrangements applicable at times when this allocation method is inappropriate.

Relevant Objectives

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

¹ The relevant self-governance criteria as specified in SSC A11 24(a). One of the criteria is 'competition' – this Modification Proposal will have a material effect in terms of creating a separate allocation regime at IPs whilst leaving other GB allocations unchanged.

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 Balancing and CAM Codes.

DRAFT

0xxx

Modification

July 2014

Version 1.0

Page 4 of 10

© 2014 all rights reserved

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 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, which includes rules for the allocation of gas quantities.

In the current GB regime, Users have the obligation through UNC to determine their allocations and to notify National Grid NTS, whereby the net sum must be equal to the end of day physical measurement. Current arrangements in respect of IPs are that User Agents submit allocations to National Grid NTS on behalf of NTS Users in both directions which, in aggregate, equal the measured gas flow.

Within the Code the default (obligatory) allocation rule is 'allocate as nominate with OBA' should the adjacent Transporters fail to agree an allocation rule. 'Allocate as nominate with OBA' is also obligatory should a request be made for this rule by an IP Transporter to its adjacent IP Transporter. National Grid's adjacent Transporters each consider such a reform to be appropriate.

Under 'allocate as nominate with OBA' the adjacent Transporters determine final Confirmed Quantities from the nominations matching process across the IP. The Confirmed Quantity equals the User's allocation, with any gas flow steering difference (the difference between measured gas flow and aggregated Confirmed Quantities) accounted for within an OBA. The Transporters agree limits for the OBA balance which, if breached, can be extended² for a limited period as agreed between the Transporters. In the case of an Exceptional Event or other circumstances then 'allocate as per measured gas flow' may be necessary. In such circumstances it is proposed that Users' Confirmed Quantities in the opposite direction of the physical flow would be allocated whole. Users would be allocated a proportion of their Confirmed Quantity 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.

Section E of the Transportation Principal Document includes the current arrangements for gas allocations. The UNC needs additionally to reflect those aspects of the new arrangements for allocations at IPs that relate to transactions between Users and National Grid NTS. For the reasons explained above, the proposed allocation regime at IPs, as required by the Code, will differ from arrangements in respect of other GB Connected System Points. At present UNC TPD E makes no distinction between IPs and other Connected System Points. It is therefore necessary to amend the UNC in order facilitate compliance with the Code. National Grid NTS and its adjacent Transporters will separately need to incorporate OBA terms into the Interconnection Agreement.

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:

0xxx

Modification

July 2014

Version 1.0

Page 5 of 10

© 2014 all rights reserved

² See 9(3)(d) in Appendix A to this document

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

3 Solution

New text will be provided in the UNC to facilitate National Grid NTS providing allocations to Users at IPs.

For the purpose of matching User nominations and communicating confirmed (allocated) quantities, there will be direct communication between adjacent Transporters, and between adjacent Transporters and Users active at the Interconnection Point as envisaged by the Code.

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 Code³ and/or there is a difference between Users’ Confirmed Quantities and physical gas flows that would otherwise require National Grid NTS taking system management actions.

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

³ ‘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 IPs, mandated by the EU Interoperability and Data Exchange Code.

0xxx

Modification

July 2014

Version 1.0

Page 7 of 10

© 2014 all rights reserved

5 Implementation

An implementation date of 1 October 2015 is proposed in view of the interdependencies with the Balancing and CAM Codes, and for consistency of GB compliance dates across all three EU codes.

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.

DRAFT

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

0xxx

Modification

July 2014

Version 1.0

Page 9 of 10

© 2014 all rights reserved

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:
 - (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).