














Final Modification Report		At what stage is this document in the process?
<h1>0595S:</h1> <h2>Amendment to the Arrangements between National Grid NTS and GNI at the Moffat IP to provide for Interruption of Virtual Reverse Flow</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>This is an enabling modification. Gas Networks Ireland (GNI) has requested a change to the terms of the Tripartite Agreement between National Grid, GNI (UK) and GNI in respect of the Interconnection Point (IP) Nominations arrangements at Moffat. The agreement needs to be brought into line with the already implemented arrangements for interruption of the within-day Virtual Reverse Flow (VRF) capacity entitlements.</p>		
	Panel consideration is due on <b>17 November 2016</b> ( <i>at short notice by prior agreement</i> )	
	High Impact: None	
	Medium Impact: None	
	Low Impact: GB Shippers active at the Moffat IP (for Republic of Ireland flows), National Grid NTS, GNI	

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Timetable		 Any questions? Contact: <b>Joint Office of Gas Transporters</b>  <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>  0121 288 2107 Proposer: <b>National Grid NTS</b>  <a href="mailto:phil.lucas@nationalgrid.com">phil.lucas@nationalgrid.com</a>  01926 653546 Other: <b>Phil Hobbins</b>  <a href="mailto:phil.hobbins@nationalgrid.com">phil.hobbins@nationalgrid.com</a>  01926 653432
<b>The following timetable applies:</b>		
Initial consideration by Workgroup	06 October 2016	
Workgroup Report presented to Panel	20 October 2016	 01926 653432
Draft Modification Report issued for consultation	20 October 2016	
Consultation Close-out for representations	10 November 2016	
Final Modification Report available for Panel	11 November 2016	
Modification Panel decision	17 November 2016	

# 1 Summary

## What

The Tri-partite Agreement between National Grid, Gas Networks Ireland (UK) (GNI (UK)) – as the owner and operator of the Irish Interconnector - and Gas Networks Ireland (GNI) as the Transmission System Operator in the Republic of Ireland requires revision to reflect the arrangements for interruption (by GNI) of within-day VRF capacity entitlements. Such action may need to be reflected in Users' end of day gas allocations hence changes are required to the prevailing arrangements for the processing of nominations for the conveyance of gas to the Republic of Ireland as under normal operating conditions, a User's gas allocation is equal to the sum of its nomination quantities on a day.

## Why

In the absence of the changes described in this proposal, the tri-partite agreement will not adequately reflect GNI and Users' rights and obligations as a consequence of the operation of GNI's within-day VRF capacity product.

## How

The UNC prescribes that changes to certain inter-TSO arrangements (i.e. those that impact Users) are not able to be made by TSOs in the absence of the consent of those Users. This consent is able to be obtained by either:

- the express consent of each of those impacted Users; or
- the implementation of an 'enabling' UNC Modification as a transparent means of highlighting the issue to relevant Users.

As is customary in these circumstances, National Grid NTS has elected to seek consent via this enabling modification.

# 2 Governance

## Justification for Self-Governance

The Proposer believes that Self Governance procedures should apply because the change proposed is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes. This is because this change is limited to aligning the inter-TSO arrangements with the already established terms of use of the interruptible within-day VRF capacity product.

The change proposed is also unlikely to discriminate between different classes of parties to the Uniform Network Code/relevant gas transporters, gas shippers or DN operators. This is because the changes will have the same impact on all Users whose commercial activities concerning the conveyance of gas to the Republic of Ireland involve utilisation of an interruptible within-day VRF capacity product.

## Requested Next Steps

This modification should:

- be subject to self-governance
- be assessed by a Workgroup.

Pre-modification discussion took place at the Transmission Workgroup on 01 September 2016. Such discussions indicated that the proposal required further explanation and would therefore benefit from further assessment by a Workgroup.

### 3 Why Change?

#### Background

With effect from 01 October 2015, new arrangements were introduced in order to comply with a number of new EU regulations including arrangements in respect of the **processing of Nominations** at GB IPs. This was to address the requirements detailed in the EU Balancing Code (Regulation 312/2014) Articles 12 to 17 inclusive, and the EU Interoperability and Data Exchange Code (Regulation 2015/703) Article 8.

From a GB perspective necessary amendments to the **UNC** were made via Modification 0493, which principally addressed the changes to the rights and obligations between GB shippers and National Grid NTS. Changes were also made to the inter-transporter arrangements in place at each GB IP. In respect of the arrangements relevant to the conveyance of gas from GB to the Republic of Ireland via the Moffat IP, this necessitated the creation of a **Tri-partite Agreement** ('the Agreement') between National Grid, GNI (UK) and GNI.

Annex B of the Agreement details the arrangements for the processing of nominations for the conveyance of gas to the Republic of Ireland via Moffat. This includes the agreed matching rule for the harmonisation of nomination quantities for 'corresponding' nominations submitted in each balancing zone (i.e. GB and the Republic of Ireland).

#### Change Driver and Parties impacted

GNI has requested an amendment to Annex B of the Agreement as a consequence of the introduction in April 2016 of its within-day VRF capacity product at the Moffat IP. In the event that GNI deems it necessary to interrupt this capacity entitlement (pursuant to the terms conditions of its use) it may be necessary for GNI to reduce Users' nominations (and hence their gas allocations).

Under normal operating conditions a User's allocation at an IP is equal to its Confirmed Nomination Quantity therefore the interruption of a User's VRF capacity entitlement may necessitate reduction of a prevailing Confirmed Nomination Quantity by GNI<sup>1</sup>. As nominations are 'matched' at the Moffat IP, such a reduction would be reflected in the corresponding GB User's nomination position.

The prevailing terms of the Agreement only contemplate revision of nominations by a TSO in an 'Exceptional Event' (for GB, a 'Transportation Constraint' as defined in the UNC) or an 'Emergency' (for GB, a 'Gas Deficit Emergency' as defined in the UNC). GNI has confirmed that interruption of VRF capacity in the circumstances described above would constitute neither an 'Exceptional Event' nor an 'Emergency'.

The Agreement therefore requires amendment to:

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<sup>1</sup> Article 17(4) of the EU Balancing Code contemplates that a Transmission System Operator (TSO) may legitimately revise User's nominations pursuant to "*the specific terms and conditions applicable to interruptible capacity*".

- permit GNI to amend its Users' nominations as a consequence of the interruption of VRF capacity entitlements; and
- amend the 'matching rule' to ensure that the GNI specified nomination value prevails in these circumstances.

## Change Process

The UNC specifies the requirements for amendment of the nominations arrangements as detailed in the relevant Interconnection Provisions. This is detailed in Section A of the European Interconnection Document as follows:

"4.1.1 For the purposes of this Document:

[...]

(b) "**Relevant Interconnection Provisions**" are the following Interconnection Provisions:

[...]

(iv) Matching Provisions so far as they provide for or directly affect how the provisions of Section C are to operate as between National Grid NTS and Users;

[...]

4.1.3 National Grid NTS will not agree with the Adjacent TSO to amend the Relevant Interconnection Provisions in relation to an Interconnection Point except:

- (a) with the approval of each User which for the time being holds Available Interconnection Point Capacity at the Interconnection Point, or
- (b) pursuant to a Code Modification which authorises such agreement; or
- (c) as may (in the reasonable opinion of National Grid NTS) be required to enable National Grid NTS or the Adjacent TSO to comply with any Legal Requirement."

As Section A4.1.3(c) does not apply and due to the practical difficulties associated with obtaining the individual approvals described in A4.1.3(a), National Grid NTS has elected to seek approval for the change via the means described in A4.1.3(b), i.e. via this 'enabling' modification. This route has the added advantage of full transparency to all Users regarding this proposed change.

## Consequences of non-implementation

In the absence of the changes described above, the Agreement will not adequately reflect GNI's obligations as a consequence of the operation of the VRF capacity product.

# 4 Code Specific Matters

## Reference Documents

EU Balancing Code (EU Regulation 312/2014):

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0312&from=EN>

EU Interoperability and Data Exchange Code (EU Regulation 2015/703):

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0703&from=EN>

Uniform Network Code – European Interconnection Document Section A:

## Knowledge/Skills

EU Network Code Industry Information:

<http://www2.nationalgrid.com/UK/Industry-information/Europe/Industry-Material/>

## 5 Solution

No textual change to the UNC is required. The changes proposed to the Relevant Interconnection Provisions in the Agreement between National Grid, GNI (UK) and GNI are as follows:

- to provide for revision of nominations as a consequence of GNI interruption of VRF capacity entitlement, it is proposed that relevant section of Annex B which deals with **TSO revision of nominations** as a consequence of Exceptional Events and Gas Deficit Emergencies is extended to include interruption of VRF by GNI. It is also proposed to add the word “Interruption” to the relevant section heading; and
- to ensure the correct Confirmed Nomination Quantity is determined, it is proposed to revise the ‘**matching rule**’ terms such that the Confirmed Nomination Quantity in the event of GNI revision of a nomination as a consequence of interruption of VRF will be equal to the Processed Nomination Quantity determined by GNI.

For the avoidance of doubt, where GNI declares the interruption and revises Processed Nomination Quantities under GNI Nominations, it will re-determine Confirmed Nomination Quantities and (as per prevailing arrangements) notify to GNI (UK) revised Confirmed Nomination Quantities. Upon receipt of such notification GNI (UK) will forward revised Confirmed Nomination Quantities to National Grid NTS. Finally, each Transporter will notify revised Confirmed Nomination Quantities to their respective Shippers, i.e. National Grid NTS will notify the relevant GB Users.

## 6 Impacts and Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, and if so, how?

No.

### Workgroup Impact Assessment

The Workgroup sought clarification of several matters closely associated with, though not directly a product of, this change. These can be summarised as below:

1. Is the Virtual Reverse Flow (VRF) product compliant with CAM provisions?
  - Yes – see CAM Article 21(1) “...at unidirectional interconnection points where technical capacity is offered only in one direction, transmission system operators shall offer a daily product for interruptible capacity in the other direction...”
  - VRF was introduced at Moffat in 2011
  - The principle for releasing interruptible capacity for VRF continued unchanged under UNC Modification 0500, but moved from the Ancillary Agreement to UNC EID B1.2 and B3.6.2.

## 2. Is Moffat listed in the NTS Licence as an Entry Point?

- Yes it is in Special Condition 5F – see below:

NTS GT licence

Date Change Made	Detail/Date Effective From	Version	Agreed by	Comments
Directed 21.01.11	Effective from 21.01.11 Modification to Special Condition C8D para 9 9(c)(iv) to ensure that interruptible reverse flow products can be offered at Moffat.	8.0	MH	

Special Condition 5F. Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply

Part F: Non-incremental Obligated Entry Capacity

5F.26 Non-incremental Obligated Entry Capacity shall be the sum of Licence Baseline Entry Capacity, as set out in paragraph 5F.27 adjusted for Entry Capacity Substitution and Legacy TO Entry Capacity from the date that the revenue entitlement in accordance with Part B of Special Condition 3A (Restriction of NTS System Operation Revenue) has ceased.

5F.27 Licence Baseline Entry Capacity is set out in Tables 4A and 4B. For Gas Days prior to 1 November 2015 (or such other date as the Authority may direct in writing), Table 4A shall apply. For Gas Days from 1 November 2015 (or such other date as the Authority may direct in writing), Table 4B shall apply.

Table 4A: Licence Baseline Entry Capacity

NTS Entry Point	Baseline capacity (in GWh/d)
Moffat	0

Table 4B: Licence Baseline Entry Capacity

NTS Entry Point	Type of Entry	Baseline capacity (in GWh/d)
Moffat	INTERCONNECTION POINT	0

GEMINI Name	Flow	Energy Identification Code	PRISMA Name	Gemini Category	EIC Display Name	EIC Name - Asset Name	Capacity Category	PRODUCT	Bundle Network Point name	TSO	Network Point ID
MF Moffat	Entry	482MOFFAT-ENTRYQ	MoffatUKEn	ASEP Interconnector	MOFFAT-ENTRY-GB	Moffat Entry	INTERRUPTIBLE	D	NO BUNDLED POINT		
MOFFATINT	Exit	2120000000000081T	MoffatUKEx	NTS Exit Point Interconnectors	MOFF-GB-IE	Moffat	FRIM INTERRUPTIBLE	Y Q M DW	UKExMoffatIEEn	PTL PTL Moffat Entry (Moffat)	21X0000000013562
									UKExMoffatIEEn	GNI MoffatIE	47X00000000000576 Mo ffatIEEntry

## 3. What are the corresponding GB arrangements for Virtual Reverse Flow?

- Day ahead interruptible entry capacity at Moffat is sold via the 'PRISMA' capacity booking platform.
- GB (NTS) Entry Nominations matched with corresponding GNI exit nominations – the Confirmed Nomination Quantity.
- Typically a User's daily allocation is equal to the sum of its Confirmed Nomination Quantities
- Separate assessments of exposure to exit and entry overrun costs (allocations vs capacity entitlements) are performed for System Entry Overrun Charges and NTS Exit (Flat) Overrun Charges.

## 4. Does virtual reverse flow attract Commodity Charges?

- Yes - see UNC EID A1.3.3: "Where physical flow at an Interconnection Point is permitted in one direction only (the forward Direction): (f) for the avoidance of doubt Users will be liable for Commodity Charges in respect of the Interconnection Point (in respect of UDQIs or UDQOs as the case may be) in the reverse Direction".

## Consumer Impacts

None – the impact is expected to be limited to shippers and a subset of TSOs.

## Cross Code Impacts

None.

## EU Code Impacts

None – the change proposed is consistent with Article 17(4) of the EU Balancing Code as described above, and the wider Nominations Matching provisions detailed in Article 8 of the EU Interoperability and Data Exchange Code.

## Central Systems Impacts

None – the GB central systems are already configured to receive nominations matching information from National Grid's adjacent TSOs, all of whom currently operate as the respective matching TSOs (who undertake the matching process) at each of the GB IPs. Hence, the GB central systems are not required to incorporate or take account of any change to the nominations matching rule as proposed in this instance.

## User Pays

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 modification 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.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

## 7 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	None



satisfied as respects the availability of gas to their domestic customers.	
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

The Proposer considers that this is an 'enabling' Modification which, in the absence of any other changes beyond the scope of this modification, would have no impact, either positive or negative, on relevant objectives (a) to (f).

This modification would further 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*" because it helps to demonstrate the general co-operation obligations between TSOs which are required under EU Regulation 715/2009.

## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

Not applicable.

### Text

There are no changes required to the UNC as part of this enabling modification because the amendments will be contained within the Tripartite Agreement between National Grid, GNI (UK) and GNI.

The proposed amendments to the Tripartite Agreement has been provided by GNI for visibility purposes – please see the Appendix.

## 10 Consultation

Panel invited representations from interested parties on 20 October 2016. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 4 representations received implementation was unanimously supported.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	g - positive	<ul style="list-style-type: none"> <li>• Agrees this enabling modification provides consistency, in the treatment of nominations for flows of gas at the Moffat IP, with the arrangements for the interruption of Virtual Reverse Flow on the GNI system.</li> <li>• The pro-active notification of changes to Confirmed Nomination Quantities will be helpful to Users.</li> </ul>
Gas Networks Ireland	Support	g - positive	<ul style="list-style-type: none"> <li>• Believes this modification demonstrates the continued co-operation between TSOs required under EC 715/2009.</li> <li>• Furthermore, EC 984/2013, which established a network code on Capacity Allocation Mechanisms (CAM NC), specifically Article 21(1) requires that: <i>At unidirectional interconnection points where technical capacity is offered only in one direction, transmission system operators shall offer a daily product for interruptible capacity in the other direction.</i></li> <li>• Will ensure that there is consistency between the requirements of the CAM NC, the Tri-partite and the rights and obligations of GNI and Shippers as set out in the GNI Code of Operations and associated Business Rules in relation to the operation of the within-day VRF product at the Moffat IP.</li> <li>• Provides assurance that the rights of GNI to interrupt VRF capacity as required by the CAM NC are reflected in the Tri-partite thereby ensuring compliance with the CAM NC.</li> <li>• Concurs with the view that this proposal is self-governance.</li> <li>• Anticipates no lead time is required for implementation following execution of the amended Tri-partite Agreement, as the changes are being requested to reflect the current operation of the VRF Product at the Moffat IP.</li> <li>• The within day VRF Capacity Product at the Moffat IP, which came into operation in April 2016, is offered on an Interruptible basis. All other Capacity Products offered by GNI are done so on a firm basis and therefore the Tri-partite which came into force in October 2015 did not explicitly cater for interruptions</li> </ul>

			<p>except in the case of an 'Exceptional Event' or an 'Emergency'.</p> <ul style="list-style-type: none"> <li>Although the business rules and the associated GNI Code of Operations drafting in relation to the interruption procedures was agreed by all parties GNI felt it prudent to ensure that the same provisions were reflected in the Tri-partite and therefore requested the amendment.</li> </ul>
National Grid NTS	Support	g - positive	<ul style="list-style-type: none"> <li>Fully supports implementation as it demonstrates co-operation between Transmission System Operators (in this case between National Grid and Gas Networks Ireland ('GNI') in the Republic of Ireland) as required under EU Regulations.</li> <li>Agrees with self- governance procedures for the reasons stated in the Draft Modification Report.</li> <li>Supports the consequential changes that would be made to the Tri-Partite Agreement would not necessitate any change to the GB central systems. Further, both GNI (in respect of 'exit' provisions) and National Grid (in terms of 'entry' provisions) have existing Transportation Arrangements in place at Moffat. On this basis there is no lead time required for implementation.</li> <li>No additional analysis, development or additional ongoing costs in the event of implementation.</li> <li>No UNC legal text associated with this proposal, as it is an 'enabling' Modification (effectively seeking GB Users' approval of a change to the inter-TSO arrangements between National Grid NTS and GNI)</li> <li>Consensual agreement to the changes to the Tri-Partite Agreement as detailed in the Appendix of the Draft Modification Report.</li> <li>No errors or omissions identified.</li> </ul>
RWE Supply & Trading	Support	g - positive	<ul style="list-style-type: none"> <li>Agrees implementing this enabling modification should ensure that the Tripartite Agreement between the TSOs at Moffat IP is updated to reflect properly the current arrangements for interruption of the Virtual Reverse Flow capacity product.</li> <li>Concurs that this should be subject to self-governance.</li> <li>Sees no clear reason why this self-governance modification should not be implemented sixteen business days after the Modification Panel decision to implement, subject to no Appeal being raised, so that</li> </ul>

			<p>the Tripartite Agreement is up to date.</p> <ul style="list-style-type: none"> <li>• No additional costs identified.</li> </ul>
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Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report, and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

# 11 Panel Discussions

# 12 Recommendations

## Panel Determination Self-Governance

Members agreed:

- that Modification 0595S should [not] be implemented

## 13 Appendix – Amendment to the Tripartite Agreement

Please note that this text is not UNC Legal Text and is included here for completeness only.

### **Tripartite Agreement in relation to arrangements at the interconnection point at Moffat**

#### **between**

### **National Grid Gas plc (NGG), GNI (UK) Limited (GNI (UK)) and Gas Networks Ireland Limited (GNI)**

Amend Annex B as follows:

*Insert the following new paragraph 5.5(g) in Appendix B:*

- "(g) Subject to paragraph 5.5(c), 5.5(d), 5.5(e) and 5.5(f) where (at the start of the relevant Nomination Cycle) or within any applicable Nomination Cycle GNI has notified to GNI (UK) an interruption and has not notified the cessation of the interruption in relation to IP Nominations the Confirmed Nomination Quantity is equal to the Processed Nomination Quantity under the GNI Nomination;

*Amend the heading of Annex B paragraph 6 to read:*

"Exceptional Events, Gas Deficit Emergency and Interruption".

*Insert new paragraphs 6.4 and 6.5 to Annex B:*

- "6.4 GNI may before or during the Day notify GNI (UK) as provided in Annex A paragraph 7.
- (a) that there is an interruption affecting interruptible IP Capacity on the GNI System; or
- (b) that an interruption previously notified is no longer affecting the GNI System.
- 6.5 Where GNI notifies an interruption is affecting interruptible IP Capacity in relation to Nominations:

- (a) GNI may determine (in accordance with its Transportation Arrangements) revised Processed Nomination Quantities for its Nominations at the time;
  - (1) GNI will determine revised Processed Nomination Quantities under GNI Nominations (irrespective of the submission or otherwise of an IP Nomination at the applicable Nomination Deadline, and irrespective of the existence of any prevailing IP Nomination).
  - (2) GNI will redetermine (in accordance with paragraph 5.5(g)) and notify to GNI (UK) revised Confirmed Nomination Quantities for Nominations on the basis of the revised Processed Nomination Quantities in accordance with paragraph 5.1(c).
  - (3) GNI (UK) will forward revised Confirmed Nomination Quantities to NGG in accordance with paragraph 5.1(d);

The Linked Transporter(s) will notify the revised Confirmed Nomination Quantities to their respective Shippers in accordance with paragraph 5.1(f).