

Amend obligation for the acceptance of EPDQD revisions made after D+5

Transmission Workgroup

6th October 2016

What?

- UNC states that no revisions to EPDQD will be made after D+5
- National Grid NTS proposes the removal of this obligation;
 - so EPDQD amendments can be accepted after this timescale,
 - and the inclusion of a new reporting obligation for revisions submitted after D+5.

Why?

- National Grid NTS accepting late EPDQD revisions to ensure accurate shipper allocations
- If National Grid NTS risks enforcement action if they continue to accept late revisions without amending code
- If National Grid no longer accepts late revisions and enforces D+5, this will have an adverse impact on shipper allocations
- Therefore National Grid needs to continue accepting these late revisions and the UNC needs to be aligned to current practices.

How?

- Amend paragraph E 1.4.2 of UNC;
 - Obligation in code for amendments after D+5 to not be accepted will be removed,
 - Will be replaced with a requirement for amendments submitted after this timescale to be subject to a reporting obligation.

Legal Text – TPD Section E

1.4 System Daily Quantities: Entry

- 1.4.1 In respect of each System Entry Point, the "**Entry Point Daily Quantity Delivered**" is the aggregate quantity of gas delivered to the Total System on a Day at that System Entry Point, ascertained as described in Section I2.5 (subject to paragraph 1.7.1).
- 1.4.2 The amount determined to be the Entry Point Daily Quantity Delivered in respect of any System Entry Point for the Gas Flow Day may be revised at any time:
- a) up to and including the 5th Day following the Gas Flow Day;
 - b) after the 5th Day following the Gas Flow Day and up to (but not after) the Entry Close-out Date if the Transporter is provided with:
 - i. the identity of the System Entry Point;
 - ii. the Gas Flow Day in question;
 - iii. a reasonably detailed explanation of why such revision was not made in accordance with (a) above;
 - iv. any other information in connection with the revision as the Transporter may reasonably require; and
 - v. the consent of the person providing information under this paragraph (b) to the publication of that information by the Transporter
- ~~up to and including the 5th following Day, but no revision will be made to such quantity after the 5th Day after the Gas Flow Day.~~
- 1.4.3 In respect of the Total System the "**Total System Daily Quantity Delivered**" is the aggregate quantity of gas delivered to the Total System on a Day, determined as the aggregate of the Entry Point Daily Quantities Delivered for all System Entry Points.

Justification for Self-Governance

- Changes would codify current practices, but with addition of reporting requirement for late amendments
- Unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes, the UNC governance procedures or the network code modification procedures
- Could result in a positive effect on consumers;
 - Incentivises accuracy of data in a timely manner,
 - accurate data results in more accurate costs.

Justification for Proceeding to Consultation

- Change ensures that UNC codifies current practices
- Feedback received from sub-terminals, shippers and the CVA shows that they support the continuation of current practices
- Main parties impacted by this change are sub-terminals, and other entry-points submitting late amendments, who are not party to the UNC.
- These non-UNC parties have been offered the opportunity to provide feedback through a questionnaire or telephone interview, with responses received from 11 sites.

Conclusion

- We would welcome your comments on;
 - The proposed legal text,
 - Identification as self-governance,
 - Proposal to move directly to Consultation after Panel.

EU CAM Amendment & Incremental Update

6 Oct 2016

Expected Timeline

- 2nd Comitology Meeting 29/30th September 2016
 - Text is still subject to change during this phase - most changes will be “clarifications” but....content changes by EC still possible
 - Still intended as a voting meeting even if changes made during meeting
 - Allows for completion prior to October Madrid Forum
 - 1st April 2017 Entry into Force.
- As discussed last month, NGG plan two UNC Modifications:
 - Non-Incremental Changes - for implementation 1st April 17.
 - Incremental Changes - for implementation 1st July 17.
 - Plan to submit mods to Oct panel and release before Oct 6th WG.

Pre Comitology changes

CAM Art 6 – Capacity calculation & maximisation

- The calculation methodology and the rules of making available the capacity, adopted by the transmission system operators, shall guarantee that when ~~a crisis level as defined in Article 10 of Regulation (EC) No 994/2010 is declared~~ an emergency situation or when an exceptional event as defined in Article 2(a) of Commission Regulation (EU) No 2015/703 occurs in the Member State or an adjacent Member State firm capacity at interconnection points has priority over firm capacity at exit points into storage facilities.

CAM Art 21 – Capacity Conversion

- Within six month following the written request of a network user holding unbundled capacity at one side of an interconnection point, transmission system operators shall offer a free of charge capacity conversion service for annual, quarterly or monthly capacity product at that interconnection point, if no sufficient matching unbundled capacity on the other side of the interconnection point is offered. This service shall be offered on a non-discriminatory basis and shall prevent an undue overpayment of booked capacity. The implementation may be facilitated by the capacity booking platform(s) referred to in Article 37. The use of this service shall be reported annually to the respective national regulatory authorities.

CAM Art 32 – Interruptible Capacity

- Transmission system operators may only offer standard capacity products for interruptible capacity of a duration longer than one day if the **respective** corresponding monthly, quarterly or yearly standard capacity product for firm capacity was sold at an auction premium, **was** sold out, or was not **available** offered.
- Transmission system operators shall only offer a daily capacity product for interruptible capacity in both directions at interconnection points where the respective standard capacity product for firm capacity ~~has been offered but~~ was sold out day-ahead **or was not offered**. At unidirectional interconnection points where **technical** firm capacity is offered only in one direction, transmission system operators shall offer **at least** a daily product for interruptible capacity in the other direction.

Operating Margins



Nick George
Gas Contract Services Manager

Operating Margins (1)

- National Grid NTS has conducted a review of the Operating Margins (OM) process relating to gas procurement and disposals (“reprofiling”), due to:
 - Current rules restrict the route to market only allowing unused OM gas to be sold via tender (Section K.3.7.4)
 - The market structure doesn’t reflect current market conditions
 - UK gas market is very liquid and transparent;
 - The number of tenders and participants is limited; and
 - Prices submitted are below the market rate.
 - UNC provisions (Sections K3.3.4 to K.3.9.2) are unnecessarily long, complex and prescriptive

Operating Margins (2)

- We are proposing to raise a modification to improve the OM process:
 - Update and simplify the OM process to reflect the current market; and
 - Deliver potential cost savings to the market
- Our current thoughts on changes are:
 - Provide National Grid with discretion on how it undertakes reprofiling – same as for Capacity / Delivery arrangements in K.3.1.2.
 - Simplify the reprofiling provisions in Section K.3.3.4 to K.3.9.2 (currently nearly half of the whole UNC section)
 - Remove references to the “Relevant System Manager” and transfers between them – there has only been one for the last 12 years
- Do you have any questions or concerns related to Operating Margins?

For further engagement contact Gareth Davies gareth.davies5@nationalgrid.com or Nick George nick.george@nationalgrid.com

European Update



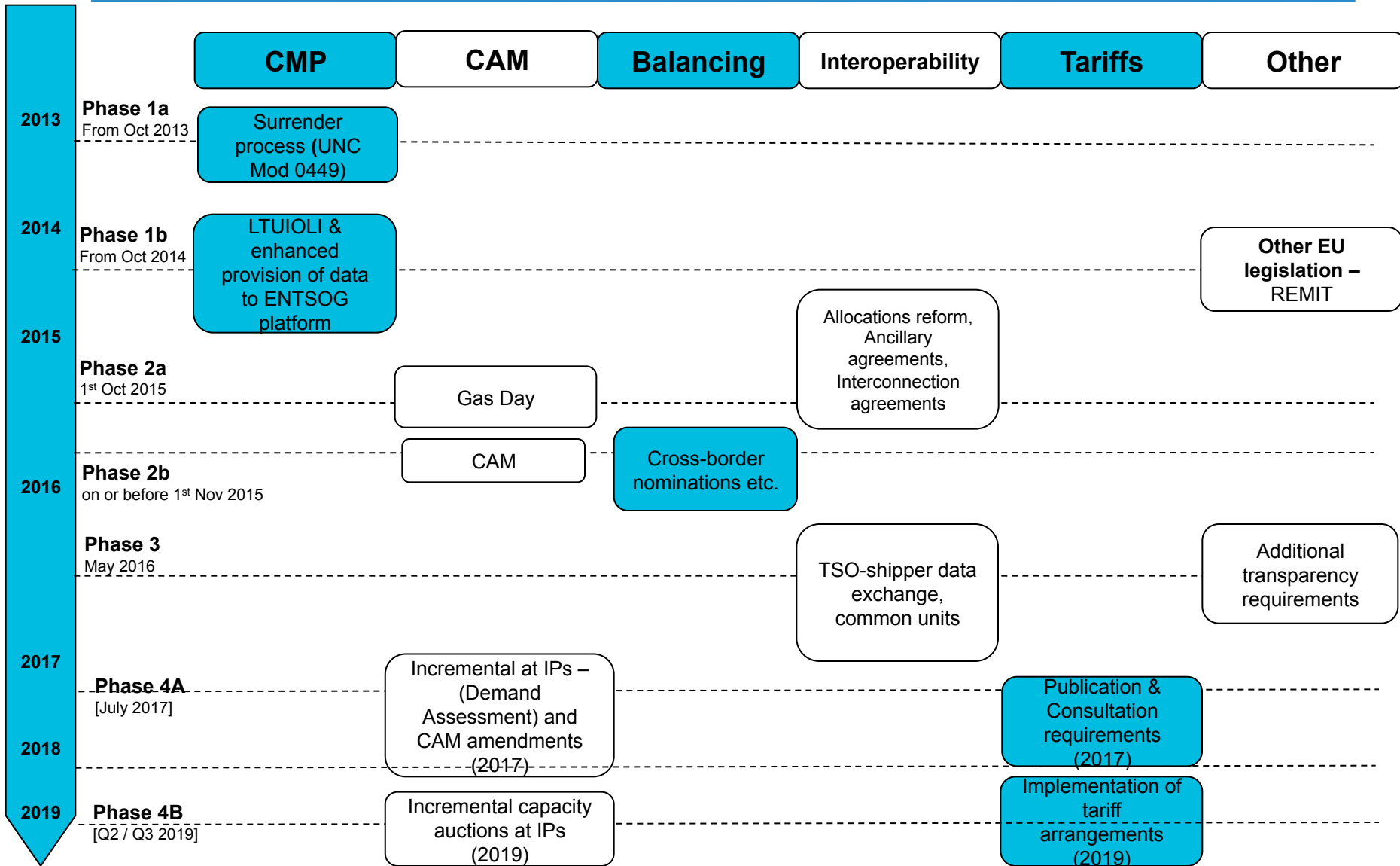
6th October 2016

1. General Update

Code Status Update

| Code | Current Status | Implementation date |
|---|--|---|
| Congestion Management (CMP) | Implemented | 1 st October 2013 |
| Capacity Allocation Mechanism (CAM) | Implemented | 1 st November 2015 |
| Gas Balancing (BAL) | Implemented | 1 st October 2015 |
| Interoperability & Data Exchange (INT) | Code entered EU Law on 30 th April now Commission Regulation (EU) N0 703/2015 | 1 st October 2015, 1 st May 2016 |
| Tariffs (TAR) | Under development | Applicable from EIF[April 2017], October 2017, 31 May 2019. |
| Incremental Capacity (& CAM amendments) | Under development | Applicable from [April 2017] Auctions applicable from [2019] |

Road Map



Gas Codes Timeline

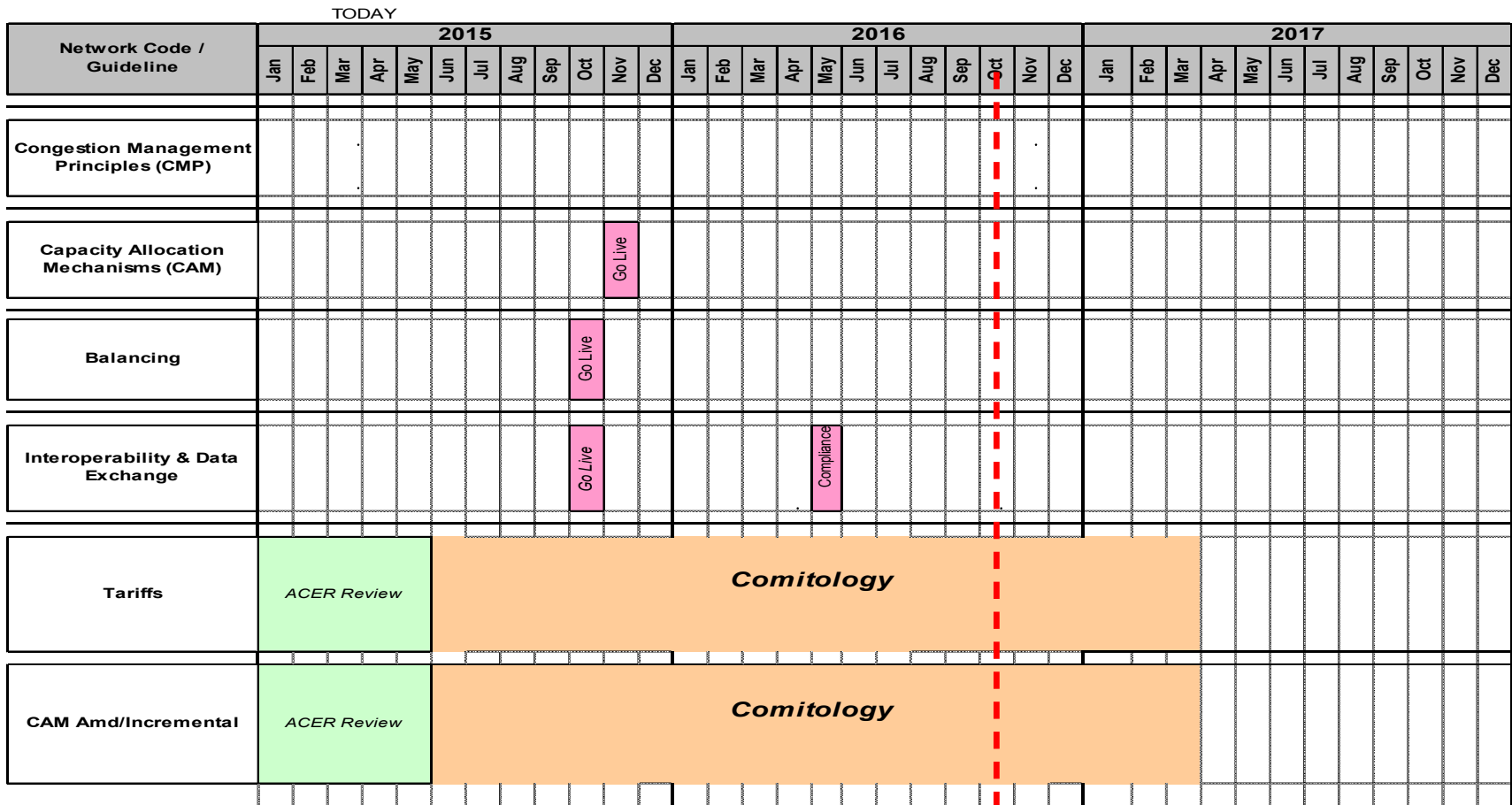
Status of Development of European Gas Network Codes

Future dates are subject to change

Dates shown in *italics* are best approximations based on current understanding.

It has been necessary to 'round' some dates for the benefits of the diagram

| KEY | |
|--|--|
| | Activities undertaken by ACER |
| | Activities undertaken by ENTSOG |
| | Activities undertaken by European Commission |



2. EU Code Updates

EU Tariffs Code Update

October 2016

EU Tariff Code: Process Steps

- **29/30 June 2016:** 1st Formal comitology meeting for both TAR NC and CAM NC amendment, on English version of NCs, no voting
- **Summer 2016:** translation of NCs into national languages
- **29-30 September 2016:** 2nd Formal Comitology meeting for both TAR NC and CAM NC amendment, with translated NCs, with voting

EU Tariff Code

- **October-December 2016:** 3 month scrutiny period by EU Council and EU Parliament
- **January-April 2017:** EC formalities to adopt the NCs
- **1 April 2017:** expected entry into force of TAR NC
- **31 May:** expected deadline for the end of implementation period for TAR NC

EU Tariff Code – application dates

- 3 different application dates:
 - **Base case application date = 1 April 2017 = (e.i.f.):** chapter I (general provisions), V (bundled CAP, VIP), VII (consultation), IX (INC) and X (final provisions)
 - **1 October 2017:** Chapter VI (clearing and payable price), VIII (publication)
 - **31 May 2019:** Chapter II (r/p/m), III (reserve prices), IV (revenue reconciliation)

EU Tariff Code - implementation

- First phase now underway
 - Initial focus on transparency/publication requirements
 - Some requirements already in place
 - Some challenges as system changes may be required as early as October 2017 for sending data to ENTSOG Transparency Platform
 - Detailed discussion of requirements for new charging framework being held in NTSCMF within context of Gas Charging Review
 - <http://www.gasgovernance.co.uk/ntscmf>

EU Tariff Code

– transparency implementation (Phase 4(a))

- Legal Obligation from October 2017
- Publication requirements in Art 29 of TAR NC will likely be captured in UNC Mods for CAM amendments
- EU Transparency Platform updated October 2017
- 2017 Annual auctions are not impacted
 - will kick in for July 2018 auction.
- NG capacity data likely to be published from Jan 2018.
- New schema will be provided by ENTSOG next summer for testing by TSOs.

Interoperability Update

EU Gas Quality: Amendment of the INT NC to Implement the CEN Standard

- ENTSOG held its second of three stakeholder workshops in Cologne on 13th September 2016 (final one on 16 Nov 2016, venue tba)
- National Grid NTS' notes of this meeting have been published with the documents for this Workgroup meeting
- A second consultation has been published by ENTSOG which closes out on 21st October 2016
<http://www.entsog.eu/publications/interoperability#GAS-QUALITY-STANDARD-IMPACT-ANALYSIS>
- National Grid NTS:
 - Encourages GB stakeholders to respond
 - Will publish its draft response to GB stakeholders by 17th October
 - Will publish its final response for the November Workgroup meeting
 - Will provide an update on the issue of publication of responses at this Workgroup meeting

CEN Sector Forum Gas Initiative to nationalgrid Harmonise Wobbe Index

- The next meeting of this group is scheduled for 27th October 2016
- National Grid NTS will not attend this meeting but will seek feedback and inform the Workgroup

EU Data Exchange

- Reminder that ENTSOG's consultation closes on 30th September 2016
- National Grid NTS will inform the Workgroup of the results

Future Topics

Future Topics

| Topic Area | Provisional Date |
|----------------|---|
| Tariffs Code | Monthly updates whilst progressing through comitology |
| CAM Amendment | Monthly updates whilst progressing through comitology |
| EU Gas Quality | Monthly updates |

Ofgem's review of Xoserve's Funding, Governance and Ownership (FGO)



Seán McGoldrick
National Grid Gas Transmission

Highlights

- Ofgem decision letter on Xoserve funding published 23rd September.
- Statutory consultation on GT Licence condition imminent
- Accelerated UNC and contract workgroup schedule
- Legal text review workgroups scheduled for October 11th, 17th and 18th.
- Mod 0565 on track for submission to Panel in November

Negative Implied Flow Rates

Transmission Workgroup

6th October 2016

Jennifer Randall

Background

March 2016

Issued letters to relevant shippers asking for reasons why they requested a downward renomination that breached the NIFR rule, in accordance with UNC TPD Section C 4.3.2.

June 2016

The main reasons stated in the responses were:

- Beach trades reducing entry nominations
- Reduction in production due to gas field/terminal restrictions
- Power station trips
- Large offtakes reducing gas demand

July 2016

Updated you on how the issue of no longer accepting faxes that breached the NIFR rule at IPs had developed over recent months;

- the fax facility at IPs was removed with the introduction of EU Phase 2 and could not be reinstated due to us no longer having our “super user” ability on Gemini.

Current State

- In July 2016 we said that we are now considering applying an “enduring” solution to the NIFR issue.
 - This review will be considering all NTS entry and exit points, not just IPs
- Consideration of the NIFR rule at non-IPs was driven by the manually intensive nature of the fax process. The feedback from the letters highlighted that the reasons shippers are making renominations that breaches the NIFR rule is unlikely to decline, meaning the volume of faxes is unlikely to reduce in the future
- On 5th September 2016 we held a workshop with interested shippers; Gazprom Marketing and Trading, RWE, Uniper and EDF Trading to discuss possible options.

Potential Options

- Potential options discussed on 5th September 2016:
 1. Do nothing
 2. Remove the NIFR rule
 3. Remove the NIFR rule on a trial basis
 4. Remove the NIFR rule and introduce additional incentives / penalties to encourage timely and accurate renominations
 5. Always apply the NIFR rule
 6. Relax the NIFR rule so that we accept faxes up to a particular point in the gas day (e.g. half way through)
 7. Keep the NIFR rule and change Gemini to allow GNCC “super user” access (i.e. revert to pre 1st October 2015 arrangements)
 8. Sub daily balancing

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 7. Keep the NIFR rule and change Gemini to allow GNCC “super user” access (i.e. revert to pre 1st October 2015 arrangements)
 8. Sub daily balancing

Actions from 5th September 2016 meeting

1. NG to confirm that GNCC no longer has “super user” ability to overwrite renominations on Gemini that have breached the NIFR
2. NG to explore with Xoserve the potential for facilitating renominations that breach the NIFR rule where operationally acceptable in respect of IPs on a temporary basis
3. NG to ensure that the outcome of the letters have been communicated
4. NG to discuss shipper feedback from the meeting concerning timely and accurate renominations internally.
5. NG to establish the number of faxes received at IPs
6. All to further consider the feasibility of Option 3 (remove the NIFR rule on a trial basis) and what criteria may be required in relation to this option
7. NG to feedback from the meeting the Gas Operational Forum and Transmission Workgroup.
8. NG to consider the most appropriate UNC governance arrangements in relation to this issue.

Next Steps

- Minutes from the workshop on 5th September 2016 are published on the Joint Office website with the documents for this meeting

<http://www.gasgovernance.co.uk/Tx/061016>

- Currently working through actions from 5th September 2016 meeting
- We will update at October 2016 Gas Operational Forum and November Transmission Workgroup

OCM Balancing Charges to Neutrality

Presentation for Transmission Workgroup on 6th October 2016

For Information

(Based on presentation to EBCC on 26th September 2016)

Background

- On 24 February 2016, the UK OCM spot gas market switched from using APX to ICE Clear for settlement and clearing services.
- NGG, like the majority of the shippers, now trades and clears the OCM market using the services of an ICE clearing member.
- NGG trades the OCM for the purposes of both balancing and shrinkage.
- As a result there has been a change in the balancing related OCM charges, which affects the cost pass through to neutrality.

OCM Costs (1)

- NGG incurs a number of different charges to trade the OCM.
- These charges are split between balancing and shrinkage.
 - Variable costs are split based on actual trade volumes
 - Fixed costs are split 50:50 (was split into thirds when National Grid LNG also traded the OCM)
- Some balancing costs, relating to provision of security/collateral, are rechargeable to neutrality under UNC TPD F4.5.3(a)(vii).

OCM Costs (2)

- Balancing's share of the OCM costs are shown below, showing whether they are recharged to neutrality.

| Charge Description | Recharged to Neutrality? | Approx. Charge (£k/y) | |
|---|----------------------------------|----------------------------------|--------------------------------|
| | | Before 24 th Feb 2016 | From 24 th Feb 2016 |
| ICE Transaction, Clearing, Membership & User Fees | No | 37 | 37 |
| Letter of Credit Cost | Yes | 115 | 0 |
| ICE LoC Handling Fee | To be recharged (see next slide) | 12 | 0 |
| Clearing Member's Account Management & Credit Fee | To be recharged (see next slide) | 0 | 62 |
| Total | | 164 | 99 |

OCM Costs to be Recharged to Neutrality

- Following the change to the OCM clearing model, NGG has reviewed the charges to be passed to neutrality.
- Clearing Member's Credit & Account Management Fee – to be recharged (back to 24th Feb 2016 and on ongoing basis).
- ICE LoC Handling Fee – this has unfortunately been missed previously. Costs of c£35k back to 1st Apr 2013 (the earliest allowed under the TPD S1.4.4 – “Code Cut Off Date”) will be recharged.
- Balancing costs are now c£65k/y lower for shippers as a result of the new OCM clearing model.

Implementation of the Gas Control Suite (GCS)



GCS implementation issues

- The following slides have been taken from the NTS update at the Gas Operations Forum held in September
- A more detailed set of slides are on the National Grid website titled “Implementation of the Gas Control Suite” and can be reached via the link below:

<http://www2.nationalgrid.com/UK/Industry-information/Gas-transmission-system-operations/Gas-operational-forum/>

GCS implementation issues

- Unable to complete normal after day processes to provide verified measurement and CV data to Gemini on 30 and 31 July during GCS cutover
- Measurement and CV data which had been verified as correct in Gemini for gas days 25 to 29 July before cutover was overwritten
- Some incorrect data items were passed to Gemini
- Unable to amend all items of incorrect data during Exit Closeout period during initial days of GCS operation

Principal impacts on shippers

- Incorrect allocation and demand attribution data remained in Gemini at Exit Closeout
- Some shippers received negative NDM allocations for Scotland and South East LDZs for gas days 27 and 28 July
- Some incorrect daily CV data, used for customer billing purposes, provided
- Incorrect allocations will have impacted some individual imbalance positions

Initial actions to address issues

- Worked closely with GCS project team and Gemini Application Support to identify and resolve key defects
- Introduced additional checks into after day processes
- Set up dedicated team to validate all data in GCS, Gemini and MIPI from 25 July
- Prompt reconciliation of high magnitude measurement errors affecting shipper NDM allocations on 27 July
- Measurement errors for LDZ offtakes were processed using the standard RbD process
- Worked closely with Xoserve to provide additional information to shippers to accompany July Commodity and Reconciliation invoices

Processing of reconciliations

| NTS Inputs Points | NTS VLDMCs/ Industrials | NTS/LDZ Offtakes | LDZ VLDMCs/ Industrials | LDZ Bio-methane sites | Billing CV Changes |
|---|--|--------------------------------------|---|-----------------------|--|
| No reconciliation (amendment up to M+15) | Correct measurements agreed with impacted shipper(s) | Reconciliation by Difference process | Reconciliations processed by Xoserve on behalf of Gas Distribution Networks | | Revised CVs notified directly to shippers, Xoserve and Ofgem |
| Reconciliation quantities notified to shippers via monthly Reconciliation and Energy Balancing invoices | | | | | |

- Reconciliations are expected to be processed over next 3 months
- Need to confirm correct measurements with shippers/operators

Ongoing actions to address issues

- Maintaining additional checks to ensure the best available data is published in Gemini within Exit Closeout
- Completing validation of all data in GCS, Gemini and MIPI from 25 July to at least 21 August
- Processing reconciliations of identified measurement errors using the standard processes
- Continuing to confirm calculations of billing CVs and notify shippers of any amended values using the standard procedures

Ongoing actions to address issues

- One potential impact identified is that shipper imbalances are cashed out at SMP whereas RbD reconciliation quantities are reconciled at SAP
- Some shippers may incur additional costs from the SMP/SAP difference, some shippers may benefit, with net cost passing to neutrality
- Individual shipper exposure will be further adjusted via neutrality redistribution of this net cost
- Currently working with Xoserve to investigate if we can identify which shippers have been impacted
- Please liaise with your normal contacts within National Grid or Xoserve to discuss any further concerns regarding reconciliation issues