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Interconnection Agreement Consultation



2nd July 2015

Welcome

- Today, we are aiming to provide you with an overview of the changes to the Interconnection Agreement (IA) that are intended to apply from 1st October 2015
- We have been collaborating for a number of months to agree the new arrangements & requisite changes to the IA
- We have now reached the point where we wish to invite you to feed back views on this proposal

Agenda

- Background
- Consultation Process
- Changes to the IA on which we are consulting:
 - Nominations & Matching
 - Allocation Rules & Operational Balancing Account (OBA)
 - Communications in Exceptional Events
 - Reference Conditions
 - Network Entry & Exit Provisions
- Q & A

Background

- Main driver for changes to the IAs:
 - EU Regulations – CAM, BAL & INT Codes
 - EU Codes impact arrangements at Interconnection Points (IPs)
 - For instance:
 - CAM – capacity booking via PRISMA
 - BAL – introduces a new nominations regime
 - INT – brings in changes to the matching process & new allocation rules

Consultation Obligations

- INT Article 4 ‘Information Obligation’ requires TSOs to consult on changes to IAs, which affect Users:
 - Matching (Art 8) & Allocation (Art 9) rules ; and
 - Communications in Exceptional Events (Art 10)
- Amendments to Network Entry & Exit Provisions are governed by UNC
 - UNC process is for a mod to be approved followed by consultation;
 - Mod 525 applies a retrospective approval to proceed with consultation before a mod decision
- Consultation has to be completed at least 2 months prior to the changes becoming effective
- New IA is scheduled to be effective from 1st October 2015

Background – UNC Modifications

- UNC Modifications relevant to the IA are:
 - 493 – Nominations & matching (Ofgem approved)
 - 500 – Capacity arrangements (Ofgem approved)
 - 510 – Allocations (Mod process ongoing – on track)
 - 519 – Common Units (Awaiting Ofgem approval – on track)
 - 525 – IA related changes (Mod consultation open – on track)

Background – BBL Legal Change

- For BBL to be compliant with CAM, CMP, & INT it is proposing changes to:
 - The BBL Access Rules: and
 - The IA.

IA Consultation Process

Interconnection Agreement Consultation Timeline				
	Jul	Aug	Sep	Oct
IA Consultation issued for comment				
IA Consultation engagement meeting				
NGG & BBL review consultation responses				
Consultation Report published				
BBL submission of IA to Ofgem				
Ofgem determination of IA				
IA implemented				

- Consultation has been published at www2.nationalgrid.com/UK/Industry-information/Europe/Consultations/ & <http://www.bblcompany.com/>
- Please send your comments to box.gas.market.development@nationalgrid.com
- Close out for responses is 29th July 2015

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Nominations & Matching



Current and New Regime: Gas Flow Day 1st October 2015

Current Arrangements at IPs	New Arrangements at IPs
One type of Nomination / Re-nomination	‘Single Sided (SSN)’ and ‘Double Sided (DSN)’ Nominations / Re-nominations
No details of User’s counterparty at IP required	Details of User’s counterparty at IP required
One Nomination per System Entry Point or Connected System Exit Point at the IP per User	One or more Nominations per System Entry Point or Connected System Exit Point at the IP, depending on the types of nomination used & the number of counterparties per User
No NG NTS interaction with Adjacent Transporters at IPs	NG NTS interaction with adjacent TSOs at IPs to undertake Nomination ‘matching’ process Specification of an Initiating & Matching Transporter role

Please Note: BBL SSN go live 1st November 2015

Current and New Regime: Gas Flow Day 1st October 2015

Current Arrangements at IPs	New Arrangements at IPs
<p>Nomination submission period: D-30 to D-1 13:00 (output) D-30 to D-1 14:30 (input)</p>	<p>D-30 to D-1 13:00 (either direction). Note that the adjacent TSOs may not offer the same earliest submission time</p>
<p>Re-nomination submission period: 15:00 D-1 to 03:00 D</p>	<p>15:00 D-1 to 02:00 D</p>
<p>Typically 1 hour processing time</p>	<p>Up to 2 hours</p>
<p>Communications as per UK Link Manual / Gemini</p>	<p>Communications as per Edig@s file formats or equivalent data format developed by ENTSOG</p>
<p>Limited ability to reject a nomination (e.g. validation failure). Application of Overrun Charges for nominations in excess of capacity entitlement</p>	<p>Additional reasons for Transporter to amend or reject a nomination. Application of Overrun Charges for nominations in excess of capacity entitlement</p>

Please note: All times quoted in UK time

Terms

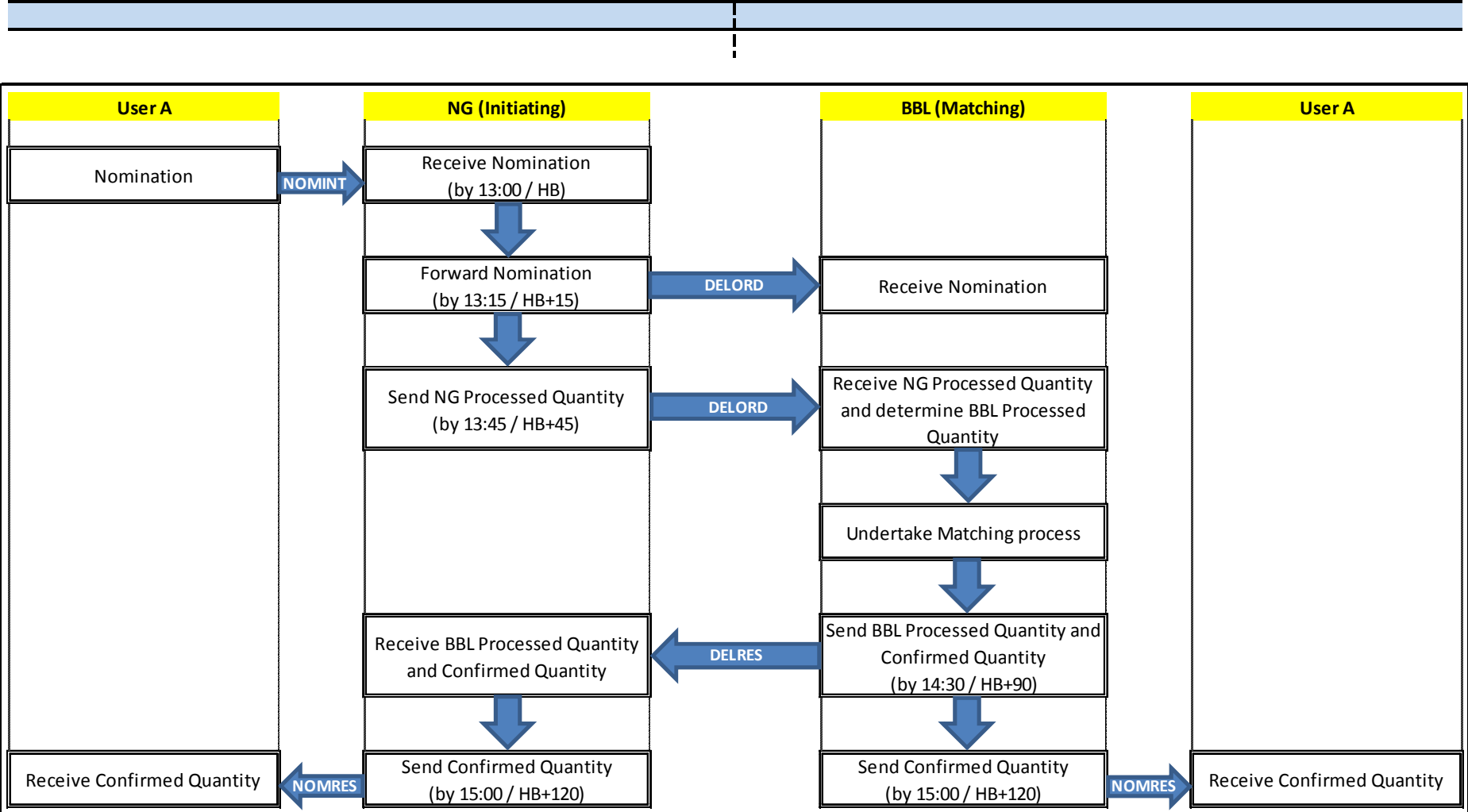
- **Nominations - two methods to notify TSOs of intention to flow at an IP**
 - 'Single sided' only one notification is issued (to the *Initiating TSO*); and
 - 'Double Sided' a notice is issued to each of the TSOs at the IP
- **Initiating TSO & Matching TSOs**
 - 'Initiating' TSO receives SSNs & initiates the *Matching Process* by sending its *Processed Quantity* to the *Matching TSO*; and
 - 'Matching TSO' compares the two *Processed Quantities* & resolves any difference by applying the *Matching Rule* to determine a single consistent *Confirmed Quantity*
- **Processed Quantity (PQ) & Confirmed Quantity (CQ)**
 - PQ is the value each TSO determines as acceptable in response to a User's nomination pursuant to application of the relevant Code provisions. As this value may be different for each TSO, the CQ is a single consistent value derived following application of the *Matching Rule*
- **Matching Process**
 - Comparison of two *PQs* & derivation of a single consistent *CQ* using the *Matching Rule*
- **Exceptional Events**
 - Equivalent to 'Transportation Constraint' in UNC

Framework

- **Matching Rule:**
 - BBL PQ prevails; except
 - NG Exceptional Event or Emergency where the NG PQ prevails
- **Default Nomination Rule:**
 - User does not submit a Nomination - deemed to have submitted a Nomination of zero
- **TSO Role:**
 - NG is the Initiating TSO (receives SSNs) & BBL is the Matching TSO
- **Matching Hourly & Daily:**
 - BBL disaggregates the NG daily PQ & matches hourly values
 - NG aggregates the hourly CQ & creates a Daily Confirmed Quantity (DCQ) for GB Users
- **TSO revision of Nominations:**
 - During Exceptional Events or Emergencies a TSO may revise nominations;
 - If a TSO exercises this right the User will receive a revised CQ; and
 - TSO must advise Regulatory Authority if it does so

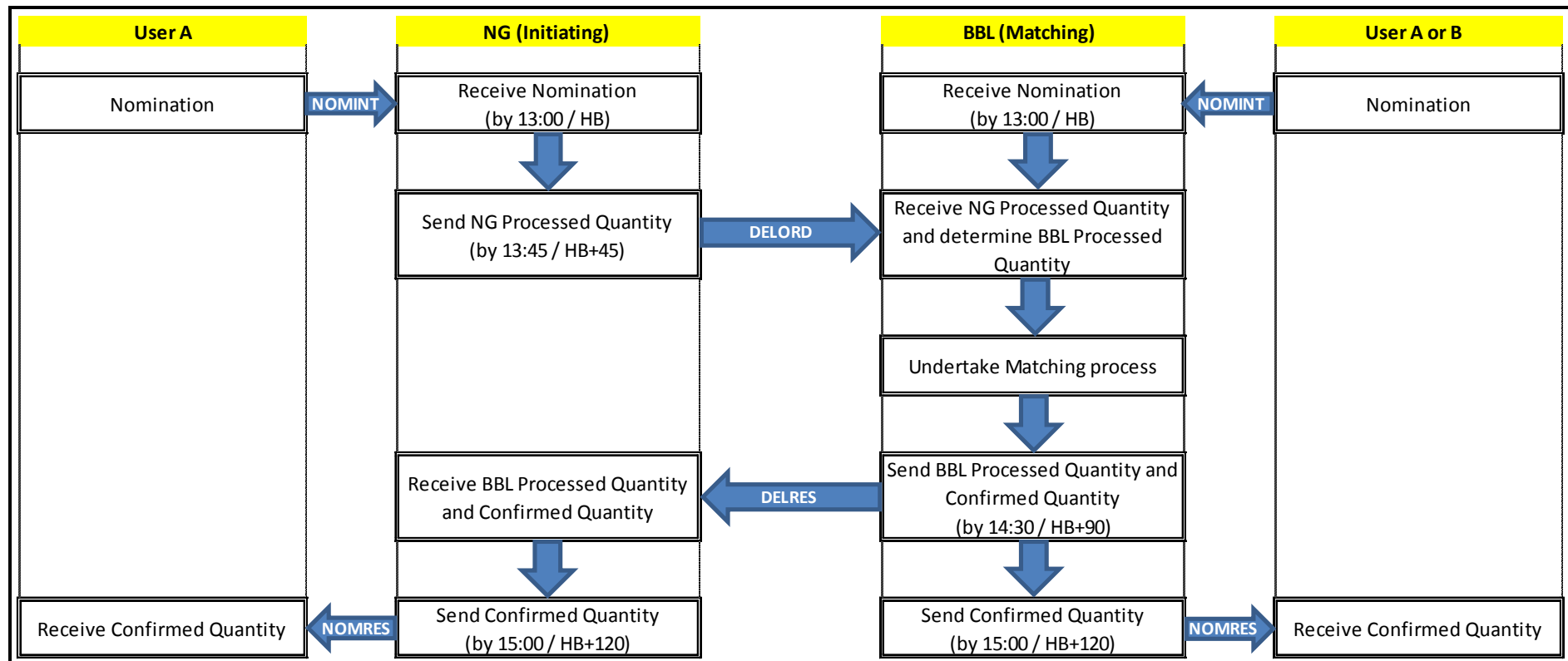
Single Sided Nominations

NG/BBL IP



Double Sided Nominations

NG/BBL IP



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Allocation Rules & OBA



Allocation Arrangements

- NGG & BBL are proposing to change the allocation principles in line with INT Code in respect of BBL IP:
 - Allocate as nominate; and
 - Introduce an Operational Balancing Agreement (OBA)
- An OBA is an agreement between TSOs to assign deviations as a result of a Steering Difference (SD)
- SD is the difference between the aggregated shipper confirmed quantities & the measured gas flow for the gas day
- 'OBA Balance' is defined as the Cumulative Steering Difference (CSD) in the IA, which is the sum of the SD carried over from D-1 & the SD for the current Gas Day

Allocation Arrangements

- Tolerance for CSD is 0.3 MCM
- For Exceptional Events or when the difference between physical & commercial quantities cannot be accommodated by either TSO:
 - TSOs will agree to change the allocation regime for the IP
 - If the TSOs agree to implement Proportional Allocation, this will take effect within the current Gas Day
 - Proportional allocation i.e. allocate as measured
 - For BBL Shippers this will result in part of the day allocated as nominated & part day allocated as measured
 - For NGG Shippers NON OBA Day rules will apply as per Mod 0510

Bacton Agent Arrangements

- The activities of the Allocation Agents (Bacton Agent & CVA) are proposed to cease in relation to the BBL IP with effect from 1st October 2015

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Communications in Exceptional Events



Communications in Exceptional Events

- INT Art 10 sets out communication requirements in Exceptional Events
- NGG & BBL propose to discharge their TSO to TSO obligations via the established TFA process
- TSOs will issue Transportation Flow Advice (TFA) which will specify whether or not the relevant circumstances constitute an Exceptional Event
- Where it pertains to an Exceptional Event, the TSO who is affected will issue an anticipated end time & a further confirming when the Exceptional Event has ended
- TSOs will comply with REMIT obligations in respect of communications to market participants

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Reference Conditions



Reference Conditions: Current Arrangements

- Currently, BBL operate to reference temperatures of 0 degrees C for volume and 25 degrees C for CV
- NGG operate to 15 degrees C for both volume & CV
- Physical arrangements:
 - BBL have two measurement systems at Bacton
 - 0/25 measurement used for BBL purposes
 - 15/15 measurement used for NGG purposes
- Commercial arrangements:
 - Shippers nominate at 0/25 to BBL and at 15/15 to NGG
 - No matching of nominations currently at the BBL IP
 - Bacton Agent uses the 15/15 measurement to determine NGG shipper allocations

Reference Conditions: New Arrangements

- INT Code requires use of 0/25 for capacity & nominations from 1st May 2016
- NGG has raised UNC Mod 0519 to accommodate this
 - Gemini system delivery in April 2016
- BBL are planning an integrated delivery for 1st November 2015 that will apply 0/25 conditions from that date
- Between October 2015 & April 2016, the reference conditions will not be aligned
- The next slides explain the potential impacts
- BBL & NGG are keen to hear shipper views

Nominations & Allocations

- A quantity of energy expressed at 15/15 conditions is marginally greater than at 0/25 (ratio is approximately 1:0.9990)
- Double-sided nominations
 - If NGG shipper nominations (15/15) are slightly greater than BBL shipper nominations (0/25), the matching process will default to the 0/25 value (matching rule is that BBL Processed Quantity prevails)
- Single Sided Nominations
 - Will be submitted to NGG at 15/15 & BBL is expected to reduce this to 0/25 in line with matching at Julianadorp
- Allocations
 - 'Allocate as nominate' means NGG shippers are slightly 'under-allocated' compared to if Mod 0519 was in place
 - As per Mod 0519, UNC will regard all NGG shipper allocations to be at 15/15 between October 2015 and April 2016

DSN: Estimate of NGG Shipper Commercial Impact

- Assume a shipper flows 0.5 bcm (184,824,383 therms) through BBL IP between October 2015 and April 2016
- Value @ gas price of 50p/therm = £92,412,191
- £92,412,191 @ 1.0010 (1 / 0.9990) conversion factor = £92,504,603
- Materiality of 'under-allocation' = £92,122

Capacity

- Shippers will buy capacity at the IP ASEP, comprising both IUK & BBL capacity
- Consistent with Mod 0519, UNC will regard all IP ASEP capacity at Bacton to be at 15/15 until April 2016
- NGG does not consider there to be any overrun impact for NGG shippers between October 2015 & April 2016
 - Capacity & allocations will both be deemed to be at 15/15 for NGG shippers

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Network Entry & Exit Provisions



Network Entry & Exit Provisions

- INT requires the following reference temperatures:
 - 0° C for Volume & 25° C for Calorific Value
- All relevant measurement parameters & values named in these Entry Provision have been recalculated to meet these new required reference temperatures
- Gas Entry Conditions & Measurement corrections as outlined in UNC Mod 0533 have been incorporated into the IA

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Close



Close

- BBL & NGG are recommending the amendments to the IA
- Send your feedback to box.gas.market.development@nationalgrid.com
- NGG will be presenting the Moffat IA on 14th July 2015 at Energy UK
 - Spaces are extremely limited, please contact deborah.brace@nationalgrid.com or 01926 653233

Subject	NGG Contact & Phone No.	BBL Contact & Phone No.
Capacity	Matt Hatch 01926 5893	Rudi Streuper +31 50 521 2065
Nominations	Phil Lucas 01926 653546	
Allocation & OBA	Phil Hobbins 01926 653432	Daniel Pol +31 50 521 3194
Comms in Exc Events	Carol Spinks 01926 656377	
Network Entry & Exit		