

Negative Implied Flow Rate and Deemed flow taxes

Lucy Manning, GM&T

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Background

- Prior to 1 October 2015, nominations and matching processes at IPs were carried out by the Bacton and Moffat Agents
- The processes facilitated communication between NGG's daily regime and adjacent TSOs' hourly regimes
- Shippers used the Gemini summary screen to check physical inputs and acquiring trades matched the aggregate of their physical outputs and disposing trades
- Renomination faxes were sent directly to NGG to update Gemini with any new information, with cooperation of NGG's operations control room
 - This reflects the fact that market conditions change and new information may become available to shippers throughout the day, requiring shippers to renominate
 - Renomination faxes allow shippers to provide NGG with updated, more accurate nomination information in a timely manner. This is consistent with shippers' obligations under UNC Section C 1.15 and shipper licence condition 3, designed to ensure NGG has the proper information for efficiently managing the transmission system

Background

- From 1 October 2015 new nominations and matching process were introduced, carried out by NGG
 - Concept of “Implied Nomination Flow Rate” UNC (TPD C: Nominations, 1.8) – specifies a (daily) Renomination will be divided by the number of hours remaining in the Gas Day to create an ‘implied flow rate’ across the day
 - New rule for IPs: NGG may reject any Renomination that results in a Negative Implied Flow Rate (NIFR), i.e. where they have notionally already ‘flowed’ gas at that IP

Note: It will be accepted by the adjacent TSO due to the matching rule, as long as it complies with the adjacent TSO contract, but Gemini will not show the correct quantity
 - NGG no longer accepts these ‘deemed flow faxes’ at IPs to amend volumes in Gemini (but continues to accept them at other points)

Issue

- NGG is not accepting the most up-to-date information on gas flows from Shippers
- Increased risk to shippers that they are not balanced
 - Unable to spot errors as easily in Gemini
 - Increased risk of having an imbalance
- Difficulty seeing balancing position for after-the-day processes such as retro-trading and invoice-checking

Example

- Assume a shipper uses an off-peak profile at an IP, e.g.

Time	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	00:00	01:00	02:00	03:00	04:00	Total flow	
I/C Flow profile	2	2	0	0	0	0	0	0	0	0	0	0	0	0	2	2	2	2	2	2	2	2	2	2	2	24

- Gives EOD of 24 on Gemini – which assumes flow of 1 unit per hour
- Then the shipper re-optimises (e.g. NTS could be showing linepack is short and NGG are buying on OCM to encourage shippers to change flows to fill this short)
- Exit is turned off from 21:00 flow time, so EOD is now 10:

Time	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	00:00	01:00	02:00	03:00	04:00	Total flow	
I/C Flow profile	2	2	0	0	0	0	0	0	0	0	0	0	0	0	2	2	2	0	0	0	0	0	0	0	0	10

- The deemed flow at 21:00 is 17, so the above is rejected by NGG
- The nomination is NOT rejected by the adjacent TSO (BBL or IUK) as they have an hourly system; no impact on them
- On Gemini, the shipper's quantities are not updated appropriately to assist shippers in balancing

Process to date and next steps

- Issue raised by GM&T in November 2015
- Discussed at Operations Forum
- Joint calls: NGG and shippers (GM&T, EDFT, RWE, Uniper). In December the group discussed the feasibility of the following options:
 - Status quo
 - Reinstate old process of deemed flow faxes and accept breaches of the NIFR if able to
 - Improve the old process by implementing systems solution instead of faxes
 - Remove NIFR rule (do we need it?)
 - Note: NIFR rule stems from text in BAL NC, but it is not the intention of the code to be restrictive in this way; ambiguous wording could be interpreted differently
- In January NGG undertook to speak to adjacent TSOs to check impact across the IPs and consider potential solutions further and aim to bring an update to the April Transmission WG
- 23 March: letter sent by NGG to some shippers requesting information on Renominations and prior use of deemed flow faxes, under UNC TPS Section C Nominations 4.3.2 'Request for Information'
 - Note: Info request much broader than just IPs and states a report is to be submitted to Ofgem

Today

- Clarity from NGG on why this review is taking place and on what Ofgem involvement is?
- Any thoughts from shippers to facilitate the review?