

European Update



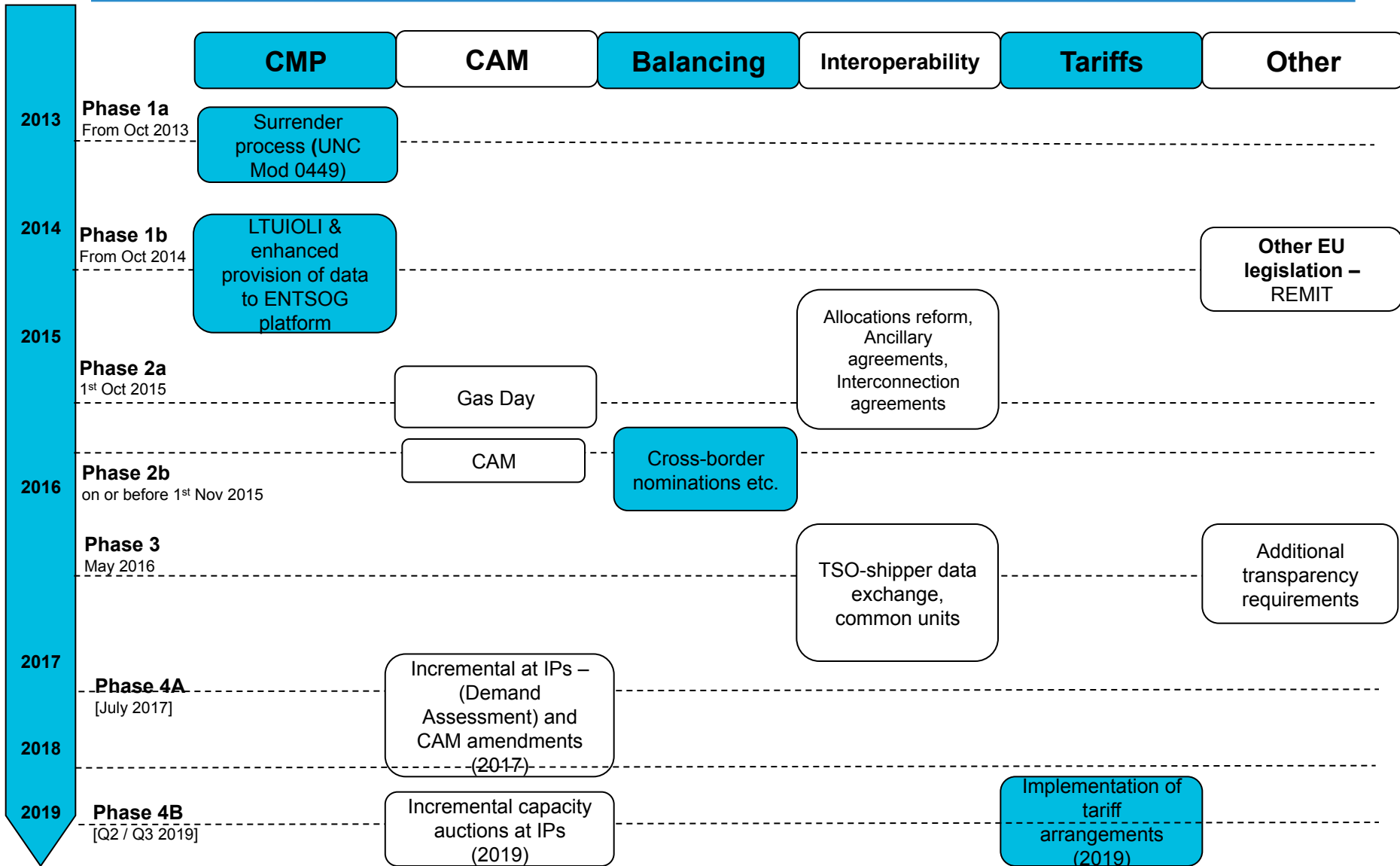
5th May 2016

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	Some deliverable planned for 1 st October 2015, others by 1 st May 2016
Tariffs (TAR)	Under development	Applicable from [January 2018]
Incremental Capacity (& CAM amendments)	Under development	Applicable from [January 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

Network Code / Guideline	TODAY												2015												2016												2017												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Congestion Management Principles (CMP)																																																	
Capacity Allocation Mechanisms (CAM)																																																	
Balancing																																																	
Interoperability & Data Exchange																																																	
Tariffs																																																	
Incremental																																																	

2. EU Code Updates

EU Tariffs Code

EU Tariffs Code

- EC Impact Assessment was scheduled to gain approval in April
- Inter-services consultation was expected to start late April
- Latest version of code issued 14th April by EC
- Reflected some comments from previous MS meeting plus trilateral of 17th March plus other changes not discussed beforehand
- Informal MS meeting held 28th-29th April

EU Tariffs Code: current outlook

- **ENTSOG recommendation paper on TAR NC**
 - Paper updated to reflect latest TAR NC text
 - 17 Issues identified and split into 3 groups:
 - Issues that have major impact for many TSOs
 - Issues that have major impacts for some TSOs
 - Issues that have some impact for all TSOs
 - NG neutral on most issues raised

EU Tariffs Code: current outlook

- **Issues that have major impact for many TSOs**
 - Implementation timescales (Art.41)
 - Financial stability of TSOs (recital 5)
 - Regulatory accounting principles (Art.38)
 - ACER review (Art.27)
 - Calculation of Reserve Prices for non-physical backhaul (Art.16)
 - Storage discounts (Art.10)
 - Within-day pricing: Proposal for the removal of the flat daily rate (Art.14(2))
 - Multiplier cap (Art.13)

EU Tariffs Code: current outlook

- **Issues that have major impact for some TSOs**
 - Commodity based transmission tariffs (Art.4)
 - Deletion of protection for “grey zone” contracts (Art.39)
 - Asset cost split (a/c/s) (Art.9)
 - Provision of an alternative to providing a simplified model (Art.30(2))
 - Report on specific capacity products (Art.40(2))
 - Duration of the tariff period (Art.3(22))

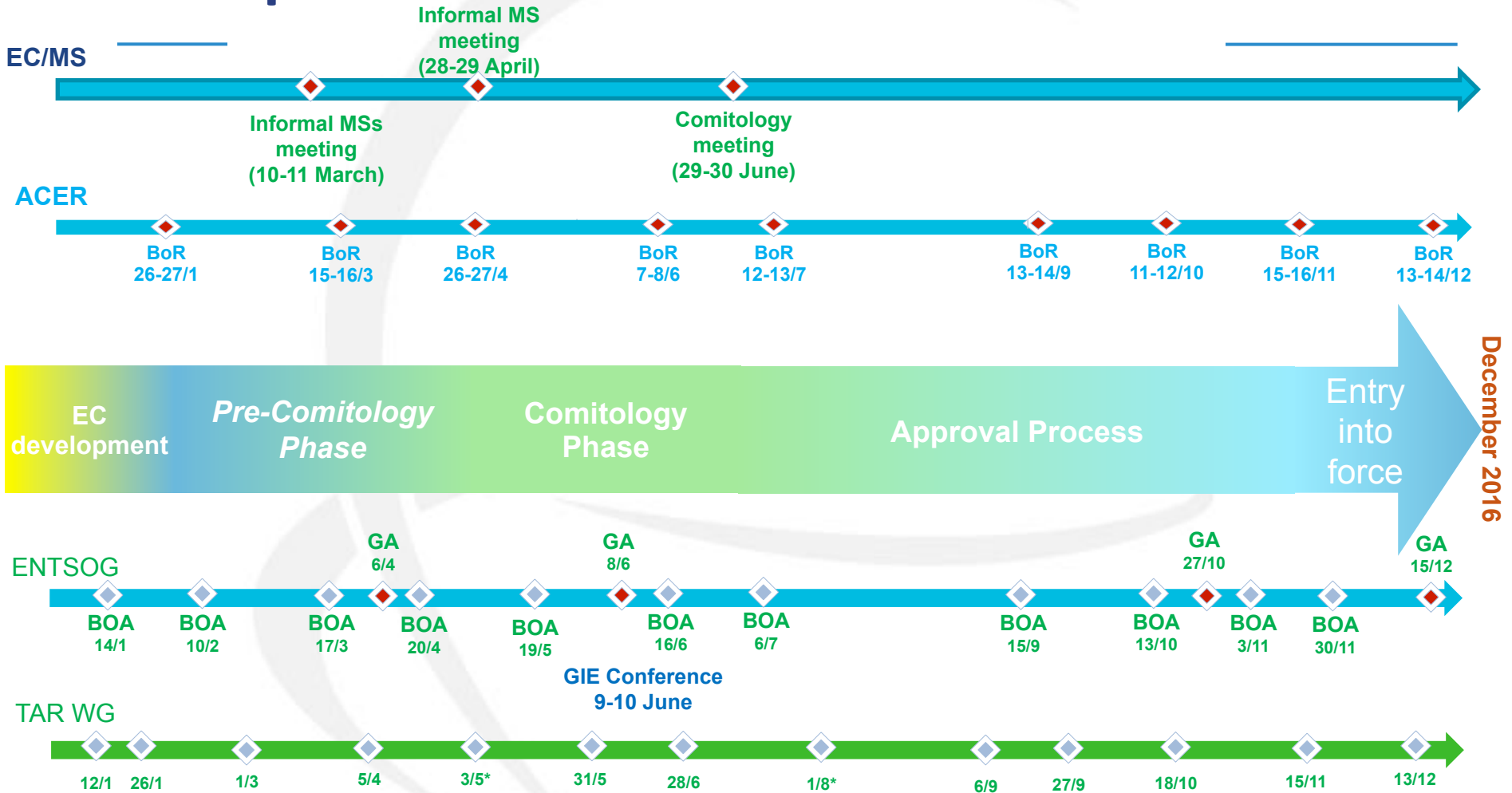
EU Tariffs Code: current outlook

- **Issues that have some impact for all TSOs**
 - Capacity Weighted Distance (CWD) as the counterfactual (Art.8)
 - Cost allocation assessments (Art.5)
 - Adjustments limited to rescaling, benchmarking, equalisation and storage only (Art.6)
 - Remove implementation monitoring provision from the TAR NC (Art.40(1))

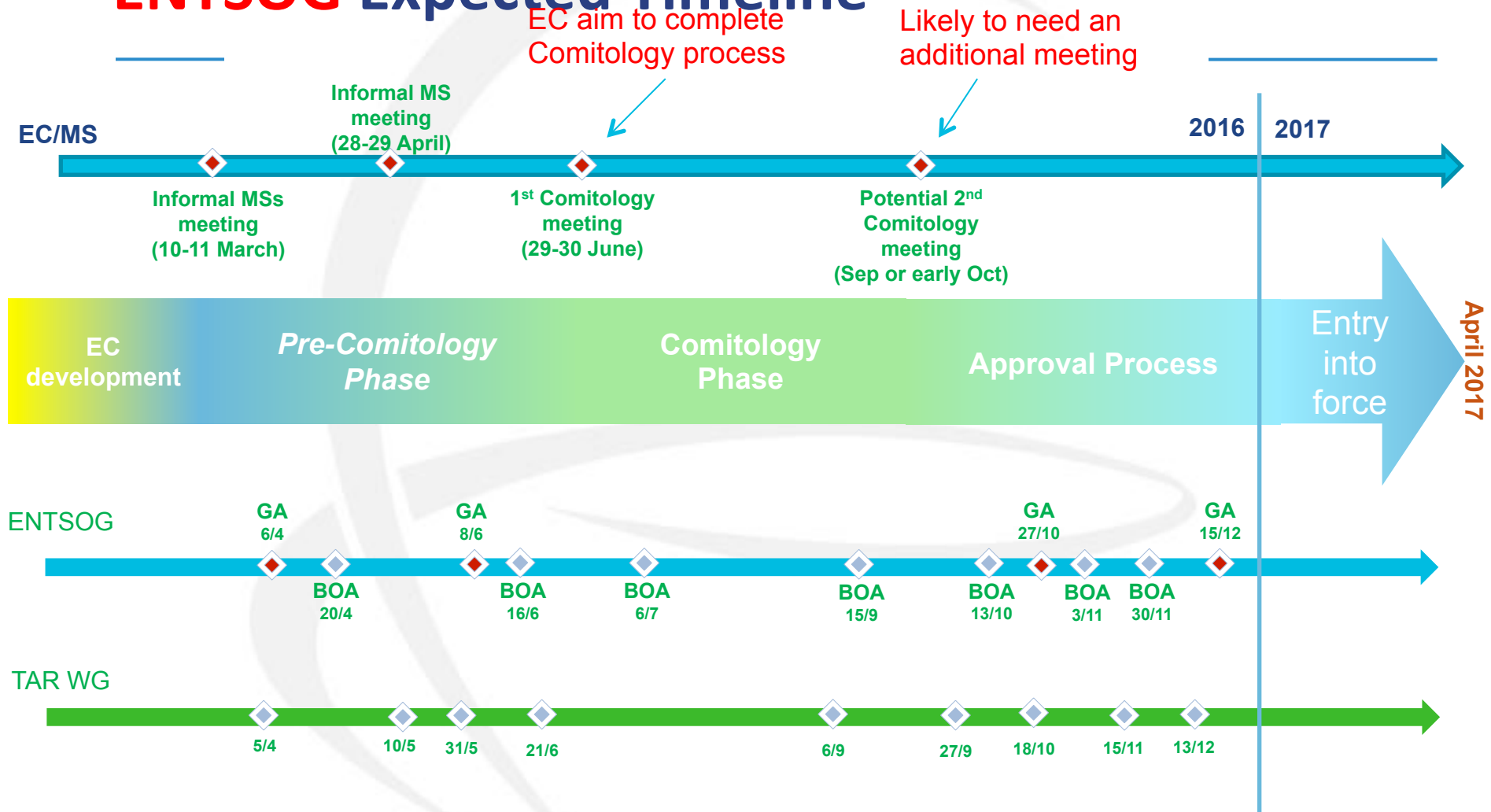
EU Tariffs Code: next steps

- 1st formal Comitology meeting 29th-30th June
 - potential option to propose MSs to vote on English text
 - ENTSOG expects that this will not be welcome and 2nd Comitology meeting expected
- Main point of influence for stakeholders is now via Member State representative
- EC aims to finish comitology prior to Madrid Forum in October and planning Entry into Force late 2016/1st Jan 2017

EC Expected Timeline



ENTSOG Expected Timeline



2. EU CAM Amendment (Incremental)

CAM Amendments previously notified

TxWG	
April 16	Restriction on use of condition firm capacity Restriction on use of “interruptible capacity” at IPs (longer duration) Offering of existing and incremental capacity (over different 15 year periods) Design phase start of process for incremental projects at any time rather than just biennial market demand assessment
Mar 16	EU Russia Study – “reality check “ of incremental amendment NG looking at comparison with PARCA and how setting aside of 10% incremental will work, Validity of NPV test, TSO/TSO and NRA/NRA coordination, role of PRISMA
Feb 16	EC wants incremental process to start July 2017 (Demand Assessment phase) Less than 3 months from entry into force to moving the auction Not all changes required until 2019 (actual auction)
Jan16	EC may propose to amend CAM such that all firm must be sold before interruptible is released
2015	Process for offering Incremental Capacity Market Demand Phase (non binding), Design Phase (non binding), Allocation Procedure (Binding) Need to protect option to offer fixed price in order to have meaningful incremental test TSOs develop a Market Demand Assessment Report every two years to analyse demand for incremental capacity per entry exit system border Changes to default auction calendar <ul style="list-style-type: none"> • Annual yearly capacity auction to start on the first Monday of July each year (previously March) • Annual quarterly capacity auction to start on first Monday of August (previously June)

Further CAM Amendments (re Draft 14 April 2016)

- **Types of Firm Capacity**
- **Definitions Article 3 (paragraphs 6 and 7) :**
 - 6. 'path-based firm capacity' means firm capacity where certain predefined restrictions apply with regards to the free allocability of the capacity in an entry-exit system;*
 - 7. 'freely allocable firm capacity' means firm capacity without any restrictions to allocability within an entry-exit system;*
- “Non-conditional firm capacity” now renamed “freely allocable firm capacity” and “Conditional firm capacity” renamed “path-based conditional firm capacity”
- Corresponding updates to text in Articles 7a (Firm products) and 21(1) (Interruptible)
- Changes to Article 7a makes it easier to offer path-based capacity (e.g. freely allocable no longer needs to be sold out).

Further CAM Amendments – (re Draft 14 Apr 2016)

- **Alignment of terms and conditions for bundled capacity products**
 - **Article 19a**
 - *Within six months from the entry into force of this Regulation ENTSOG shall review the applicable terms and conditions of the transport contract(s) of the transmission system operators for bundled capacity products identifying differences therein and publish its findings.*
 - *On the basis of the ENTSOG report in paragraph 1, ENTSOG and transmission system operators, consulting network users, shall within 12 months after the publication of the report develop and publish a template for common terms and conditions covering the key contractual provisions for the offer of bundled capacity products.*
 - *Any national regulatory authority may provide an opinion on the compliance of the template for common terms and conditions with national law to the Agency up to three months after their publication. The Agency, having due regard to the opinions of the national regulatory authorities, shall then provide its opinion on the common terms and conditions within a further three months. Taking into account the opinion provided by the Agency, ENTSOG shall publish on its website the final template for the common terms and conditions three months after receiving its opinion.*
 - *After the publication of the template for common terms and conditions transmission system operators shall integrate it into all new transport contract(s) of the transmission system operators for bundled capacity products.*
- Additional text suggests that ENTSOG is to develop a template containing key provisions for the offer of bundled capacity (within 6 months), consult with Users (within 12 months), and NRAs provide compliance opinion (within 3 months). Once published TSOs shall integrate the common terms into new transport contracts.

Further CAM Amendments – (re Draft 14 Apr 2016)

■ Market Demand Assessment (Article 20a)

- *Article 20a (9) : A transmission system operator may charge fees for activities resulting from the submission of non-binding demand indications. **Such fees shall reflect the administrative costs for submitting demand indications,***
 - Additional text added about fees - this will feed into wider comparison to CAM incremental and PARCA
- *Article 20a (10) (d) : **whether the incremental capacity would result in stranded costs of other gas infrastructure in the same and neighbouring Member States due to insufficient use of existing capacity.***
 - TSOs to provide extra information within the Market Demand Assessment report

■ Annual Quarterly Auctions (Article 12)

- No change to text but
 - Interest from EC to change to Rolling Quarterly Auctions
 - Next versions of CAM amendment may include such a change

Next Steps

- CAM INC still following same timeline as Tariffs re process
 - Informal Comitolgy Meeting 28/29 April 2016
 - 1st Comitology Meeting 29/30 June 2016
 - Potential (2nd) Comitology Meeting September / October 2016

EU Phase 3 Update



EU Gas Change Phase 3 Scope

EU Phase	Network Code on Interoperability and Data Exchange Rules	• UNC Mod 0519: Harmonisation of Reference Conditions at Interconnection Points • UNC Mod 0510V: Reform of Gas Allocation Regime at GB Interconnection Points	Date
3			May 2016

The following changes are being implemented from 1st May 2016:

Reference Conditions (Units)

A new Data Exchange method for the sending of IP Shipper nomination data to Gemini

Extra transparency data published to the ENTSOG Transparency Platform

Disapplication of scheduling charges at Interconnection Points

EU Phase 3 Project Milestones and Status

- **System Testing (ST):** 23rd November to 29th January
Complete
- **System Integration Testing (SIT):** 1st January to 4th February
Complete. There was really positive engagement with the adjacent TSOs for SIT and UAT.
- **User Acceptance Testing:** 1st February to 11th March
Complete
- **User Trials:** 14th March to 8th April
Complete
- **Gemini Code Deployment:** 10th April
Complete
- **Go Live:** 1st May
On track

EU Phase 3 Project	Analysis			Design			CUT		System Testing			UAT		Code Deployment	Go Live
	[Hatched area]								SIT		User Trials	IDR	PIS		
	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16			



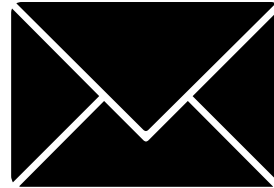
Where to go for further information



Visit **Xoserve** for information on Gemini changes at:

www.xoserve.com

Further information is available on the industry pages of the **National Grid website.**



Please contact us via the **email address** below with queries or to ensure you are included on any mailings we send:

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Please call:

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EU Gas Quality Update

EU Gas Quality

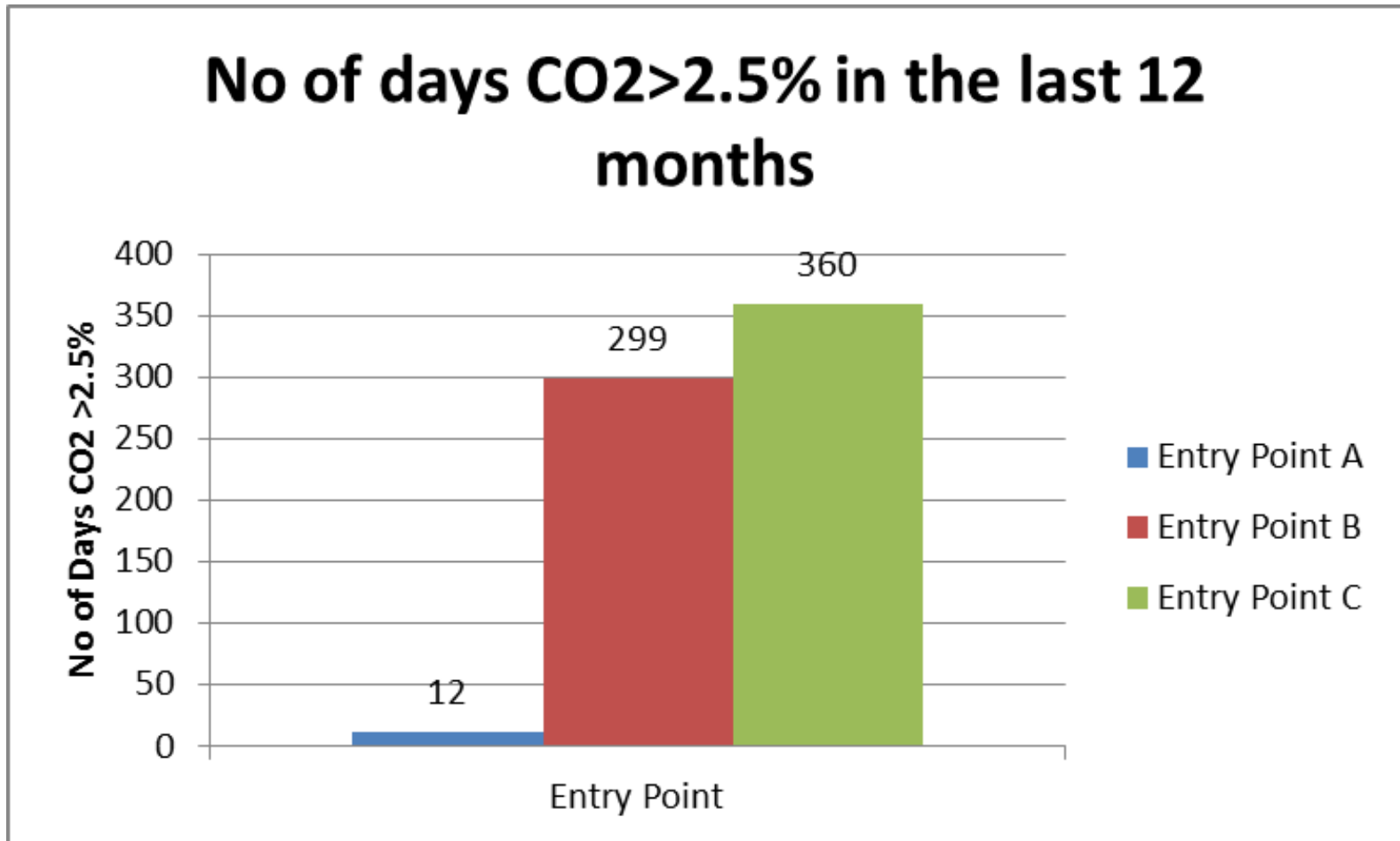
UPDATED SLIDE: 4th May 2016

**Please refer to the notes of the ENTSOG
Workshop that have been published on the
Joint Office's webpage for the May
Transmission Workgroup**

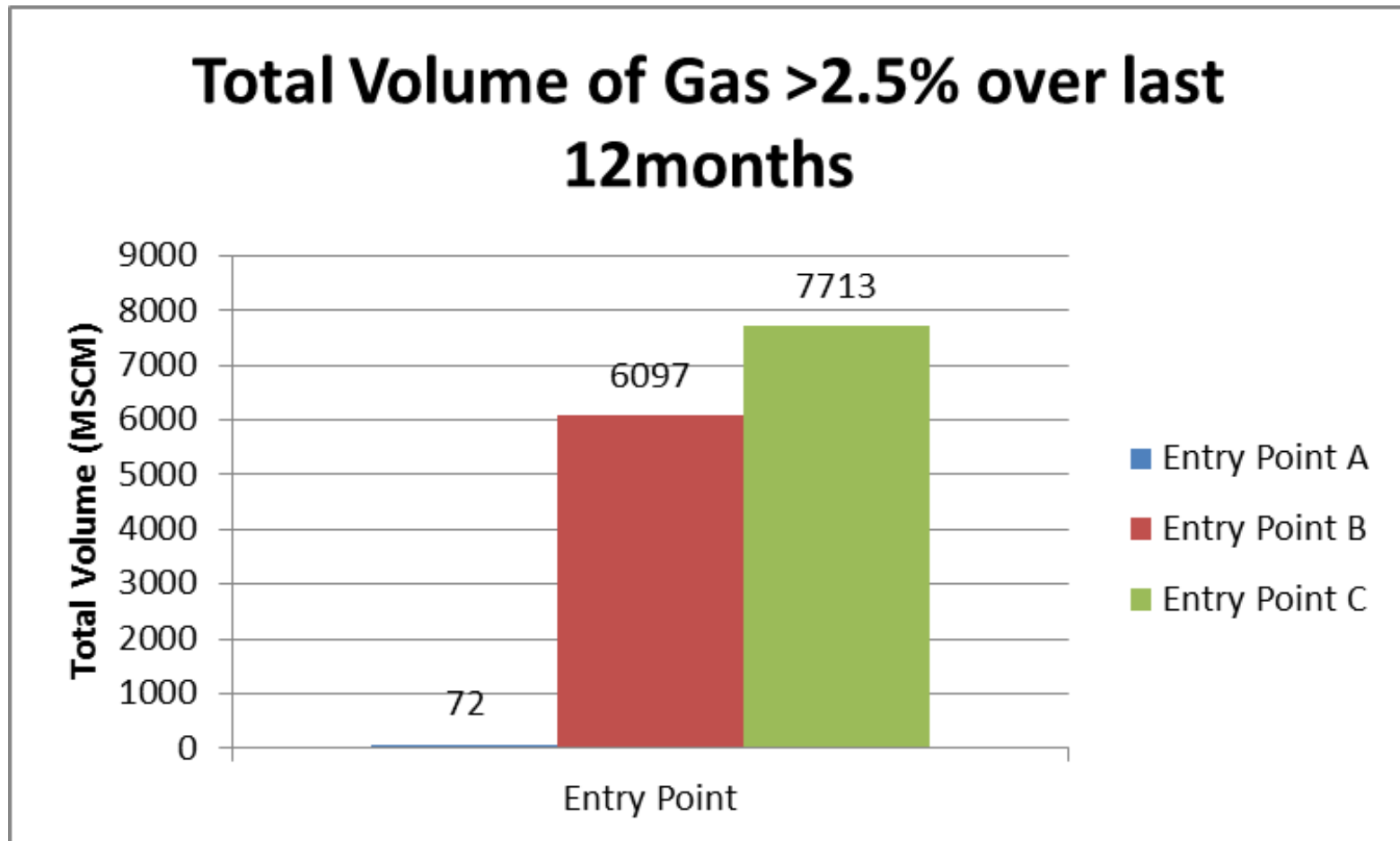
Action TR0201: Carbon Dioxide Analysis

- The following graphs show for the period 1st January 2015 to 1st January 2016:
 - Number of days on which the average CO₂ content was above 2.5% for three sources of supply to the NTS
 - Total volume of gas delivered at those same three supply sources for each of those days
- The data shows that approximately 13.8 bcm of gas with a CO₂ content above 2.5% was delivered to the NTS over this period
- Annual demand formula year 2015/16 = 83.9 bcm
- Hence ~16% of NTS supply was above 2.5% CO₂

Graph 1: Number of days in calendar year 2015 on which the average CO₂ content was above 2.5% for three sources of supply to the NTS nationalgrid



Graph 2: Total volume of gas delivered at those same three supply sources for each of those days in 2015



Action TR0202: Implications for Transportation Charges

UPDATED SLIDE: 4th May 2016

- The Transportation Model balances lower northern supply with more LNG
- National Grid NTS has modelled the impact of lower northern supplies on transportation charges
- NTS Exit Capacity Charges
 - NTS offtakes in Scotland and North and North-West LDZs would attract higher exit capacity charges by up to 0.0024 p/kWh/d
 - Most other offtakes would attract a modest decrease in exit charges of ~0.0002 p/kWh/d
 - Offtakes in the South-East LDZ would attract the greatest reduction of 0.0016 p/kWh/d due to their proximity to Isle of Grain
- NTS Entry Capacity Charges
 - Increases would be seen at Isle of Grain (0.0024 p/kWh/d), Theddlethorpe (0.0012 p/kWh/d) and Milford Haven (0.0001 p/kWh/d)
 - Decrease would be seen at Barrow of 0.0020 p/kWh/d

Oxygen Data

- Historic O₂ data has not yet been analysed because it is more difficult to access than CO₂
 - Data is held on a number of different NG systems
 - For some terminals, the data is stored 'on site'
- National Grid NTS will continue to try to gather O₂ data if the Workgroup so requests

Information Provision Consultation

Information Provision Consultation

- Consultation was published on 4th April 2016 and closes on 20th May 2016. Published at the following link:
 - <http://www.gasgovernance.co.uk/sites/default/files/Information%20Provision%20Consultation%20FINAL.pdf>
- Held workshop after Transmission Workgroup on 7th April 2016; minutes and actions from which are also published on the Joint Office website
- Gas Operational Forum 20th April 2016 (some of the initial feedback received on following slide)
- Please direct responses and any questions or queries to jennifer.randall@nationalgrid.com

Information Provision Consultation nationalgrid

Gas Operational Forum: Initial Feedback

How useful is the gas quality information currently provided?

3/10

*1 = not very useful at all
10 = very useful*

How useful is the balancing information currently provided?

7/10

*1 = not very useful at all
10 = very useful*

How easy is it to find the gas quality reports and/or balancing reports that you require?

7/10

*1 = not very easy at all
10 = very easy*

“Consistent timeline of publication of information would be useful”

“Level of gas quality information detail is too high / unnecessary. Average would be sufficient”

“Bear in mind that any change to the way in which NG currently provides the information might mean additional costs for shippers systems”

Future Topics

Future Topics

Topic Area	Provisional Date
Tariffs Code	Monthly updates whilst progressing through comitology
Incremental Code	Monthly updates whilst progressing through comitology
EU Gas Quality	Monthly updates