

European Update

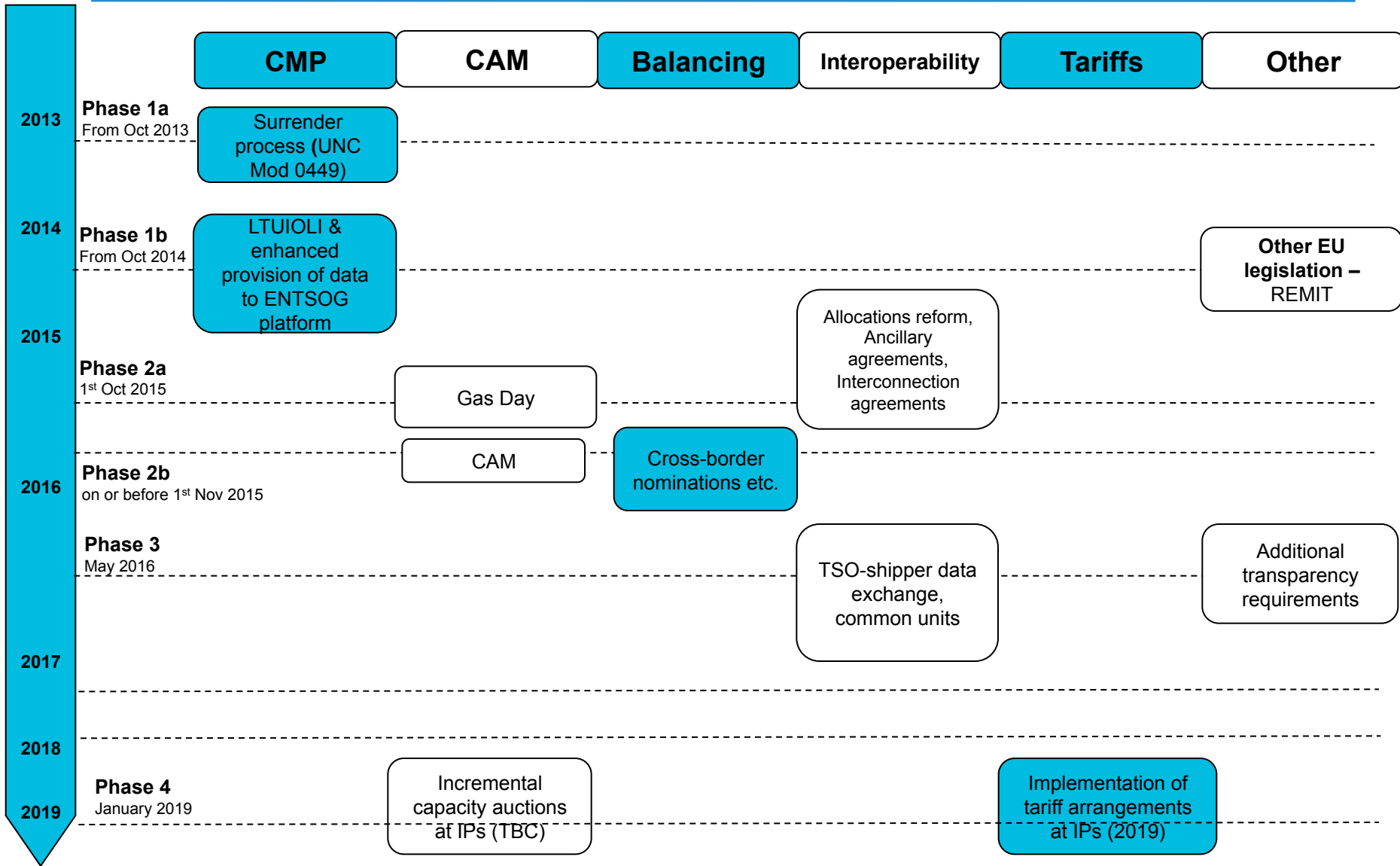


3rd March 2016

Code Status Update

Code	Current Status	Implementation date
Congestion Management (CMP)	Implemented	1 st October 2013
Capacity Allocation Mechanism (CAM)	Approved for implementation at EU IPs	1 st November 2015
Gas Balancing (BAL)	Approved for implementation 26 th March 2014	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 2019
Incremental Capacity	Under development	Applicable from January 2019

Road Map



EU Tariffs Code Update

March 2016

EU Tariff Code Update

- EC Impact Assessment rejected in January
 - Will be resubmitted in February
- EC does not expect this to change proposed timetable
- March Informal Member State will proceed with a draft legal text
 - Should be published in comitology register:
 - <http://ec.europa.eu/transparency/regcomitology/index.cfm>
- It is not expected to have a translated TAR NC for April Comitology meeting
 - Member States will need to agree this

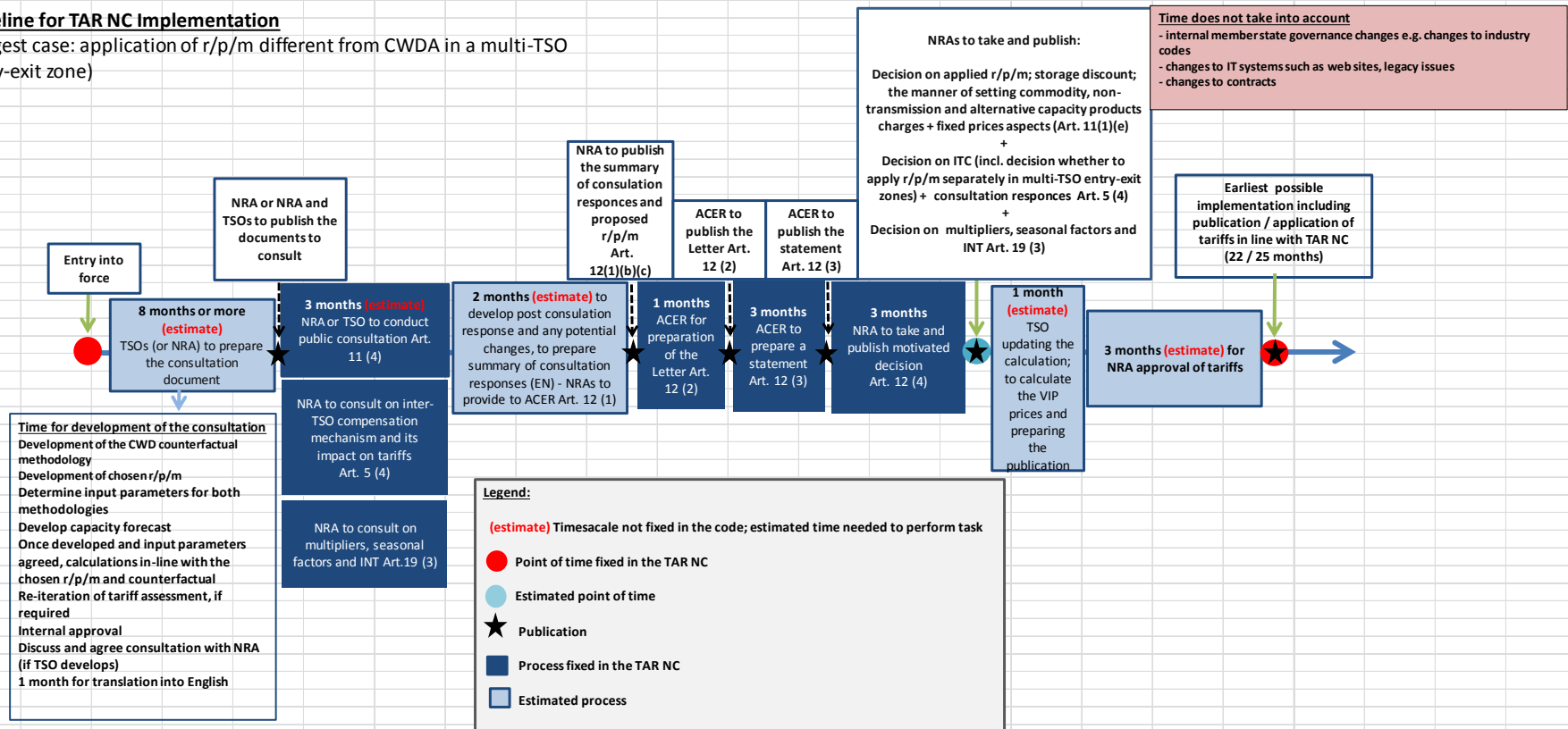
EU Tariff Code Update

- Tri-lateral meetings:
 - Final points discussed
 - Asset cost split for “new assets” (criteria)
 - Implementation timescales
 - Transparency (more about the how tariffs should be published)
 - Some minor points discussed e.g. level of detail required for revenue reconciliation of non-transmission revenues

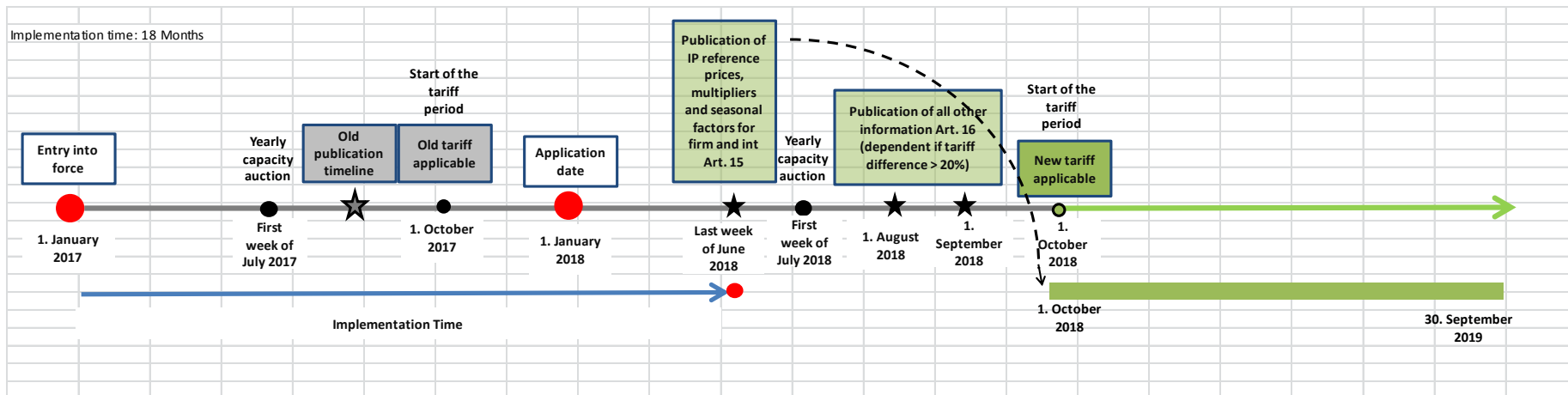
ENTSOG's draft 23 month timeline

Timeline for TAR NC Implementation

(longest case: application of r/p/m different from CWDA in a multi-TSO entry-exit zone)



ENTSOG view of possible timeline for implementation for 1st October Tariff Year



Implementation Timelines

- Belief within ENTSOG that application of new RPM could be linked to regulatory period
- If assumption true, then:

Member State	Next regulatory period	Tariff period	First time calculating tariffs using new RPM will be for Tariff Period....	Implementation of New RPM (months)
Austria	1 Jan 2017 – 31 Dec 2020	Jan – Dec (4 years)	Jan 19 – Dec 20	18
Belgium	1 Jan 2016 – 31 Dec 2019	Jan – Dec (4 years)	Jan 20 – Dec 23	30
Bulgaria	1 Jan 2016 – 31 Dec 2019		Jan 20 - xx	30
Denmark	1 Oct 2016 – 30 Sept 2017	Oct – Sept	Oct 18 – Sept 19	18
France	1 Jan 2017 – 31 Dec 2020	April – March	April 18 – March 19	13
Germany	1 Jan 2018 – 31 Dec 2022	Jan – Dec	Jan 19 – Dec 19	18
National Grid	1 Apr 2021 – 31 Mar 2029	Oct – Sept	Oct 21 – Sept 22	54

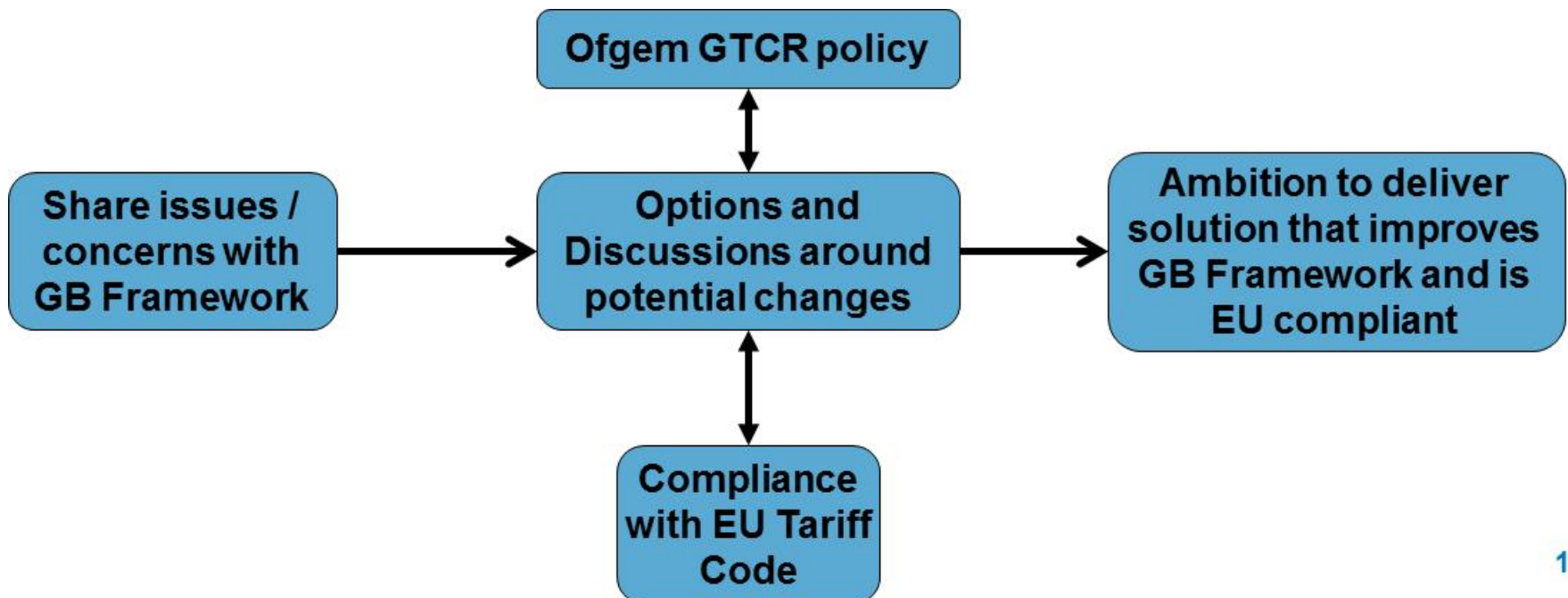
GB Implementation – indicative timeline

- Entry into force [IT system changes - 2 years, but working at risk]
- [3 months]: Industry consultation
- [2 months]: post-consultation response and NRA preparation for ACER opinion
- 1 month: initial ACER assessment
- 3 months: ACER recommended amendments
- 3 months: NRA publication of motivated decision
- [1 month]: Mod(s) Terms of Reference
- [6 months]: Work Group report & Mod(s) published
- [2 months]: Industry consultation
- [1 month]: legal text
- [1 month]: final mod report
- [3 months]: Ofgem Impact assessment & decision letter

- [4 months]: Licence changes

EU Tariff Code and the GB Charging Review

- Opportunity to improve GB Framework as a key driver
 - Consider EU compliance in any development and how options fit with GTCR policy
 - Chance to drive improvements with industry not just deliver EU Compliance (details discussed in NTSCMF)



EU Tariff Code and the GB Charging Review

- TAR NC shall require Capacity Weighted Distance model (CWD) to be used as counterfactual for assessment of Reference Price Methodology
- NG has started to look at CWD model
- Data required
 - Shortest distance (under a flow scenario) between entry to all exits points and vice versa
 - Forecast of allocated capacity

CAM Amendment (Incremental) Update

CAM Amendment Update: EU-Russia Study

February 2016

Incremental Amendment

- NG looking at impact of INC amendment for GB
 - How does it compare with PARCA?
 - How does setting aside 10% of incremental work?
 - Validity of NPV test, especially if have release incremental only in later years
 - TSO/TSO, NRA/NRA coordination
 - What is role of PRISMA in alternative allocation mechanism
 - Is it simply restricted to publication of results.

Incremental Amendment

- Legal questions include:
 - Can PARCA be used as alternative allocation mechanism
 - Which laws take precedence:
 - GB planning laws versus INC amendment
 - GB planning laws versus planning laws in neighbouring MS
 - What happens if incremental signalled on both sides of IP but different timings for consents
 - Can a developer initiate process (cf PARCA) or must it be a shipper
 - How long can allocation occur after incremental test
 - As allocation subject to test plus “any necessary subsequent approval processes”

EU-Russia “Reality Check” of Incremental Amendment

- **22 January:** EU-Russia Gas Advisory Council Work Stream on Internal Market Issues (WS2)
 - Co-chaired by Walter Boltz, main participants are Gazprom, E-Control, ENTSOG and EC (Kristof Kovacs)
 - Concerns raised by Russians on incremental amendment to CAM
 - ENTSOG led work-group set up to work with Gazprom and EU stakeholder associations to perform “reality check” on CAM amendment (focus on alternative allocation mechanism)
 - Group shall test current text with “realistic scenario”
 - Shall report back to WS2 on 22 April and conclusions may feed into comitology

EU Phase 3 Update



EU Phase 3 Gemini Release: Project Dates / Timeline

- System Testing (ST):** 23rd November to 29th January
 Completed
- System Integration Testing (SIT):** 1st January to 4th February
 Completed with positive engagement from our adjacent TSOs
- User Acceptance Testing:** 1st February to 11th March
 UAT on schedule
 We will complete B2B testing on behalf of shippers.
 All adjacent TSOs engaged in UAT support.
- User Trials:** 14th March to 8th April
 An email inviting shippers to take part was issued on the 29th January.
- Code Deployment:** 10th April
 All scope items will be implemented into Gemini on this date. A contingency date of the 24th April is also planned. This will take place during an extended Gemini outage which has been communicated via UK Link Committee.
- Go Live:** 1st May – when the new functionality is ‘switched on’

EU Phase 3 Project	Analysis			Design		CUT		System Testing		UAT		Code Deployment	Go Live
								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	



EU Phase 3: Transitional Arrangements

The implementation of the EU Phase 3 project will require the following transitional arrangements to be applied:

- IP Users will not have the maximum nomination period of 30 days available to them for Gas Day 1st May 2016
- This is due to code deployment to accommodate common unit reference conditions (UNC Mod 0519) planned for 10th April 2016
 - This means that IP Users will only be able to nominate for Gas Day 1st May 2016 from 11th April 2016 (effectively D-20)
- The maximum notice periods available will then increase from Gas Day 1st May 2016 until the full 30 day notice period is available again

This is similar to the transitional arrangements that were implemented as part of EU Phase 2 go live on 1st October 2015

EU Gas Quality Update



CEN Standard:

ENTSOG Analysis & INT Code Amendment

- ENTSOG has written to the EC confirming it will discharge the EC's requests to produce an impact analysis and draft amendment
- ENTSOG has issued an invitation to stakeholders for a workshop in Brussels on 22nd March 2016
 - National Grid NTS will be working with ENTSOG and other TSOs to develop material for this event
 - Our headline view is that the policy issues need to be addressed before the impacts can be considered
 - If you wish to attend this workshop, please register with ENTSOG via its website at <http://www.entsog.eu/events/workshop-on-interoperability-network-code-regarding-gas-quality#welcome>

CEN Standard: Pilot Project II Update

- CEN has issued a draft scoping document to progress Wobbe Index harmonisation for stakeholder comment
 - ‘Pre-normative’ phase (3 years duration)
 - ‘Normative’ (i.e. standardisation) phase (duration undefined)
- The BSI Committee GSE/-/4 discussed this on Monday 22nd Feb and agreed to submit UK comments
 - Headlines at the time of writing are:
 - The scope does not adequately reflect the output of the ‘brainstorming’ session held in November 2015
 - Risk of the same arguments being made again unless the reasons for past failure to agree a harmonised wobbe range are addressed
- Arguments could be made either way about whether ENTSOG’s implementation work should wait until WI is solved
- BSI reps will attend the next CEN meeting in March / April 2016

Information Provision Consultation



Obligations

- EU Interoperability Code:
 - Each TSO shall define and maintain a list of parties entitled to receive indicative gas quality information and
 - Determine the gas quality data to be provided,
 - The frequency of the information to be provided,
 - The lead time, and
 - The method of communication
- EU Balancing Code:
 - Each TSO shall assess the costs and benefits of
 - Increasing frequency of information provision to network users
 - Reducing the related timeline of information provision
 - Improving the accuracy of the information provided

Previous GB Industry Engagement

- December 2015 Transmission Workgroup
 - Outlined Interoperability Code obligation
 - Information currently provide
 - Invited feedback on how stakeholders would like to be engaged
- January 2016 Transmission Workgroup
 - Outlined Balancing Code obligation
 - Explained why there is no additional gas quality information which could be provided in the interim
 - Fed back results of how stakeholders would like to be engaged
 - Written consultation; workshop; bilateral meetings

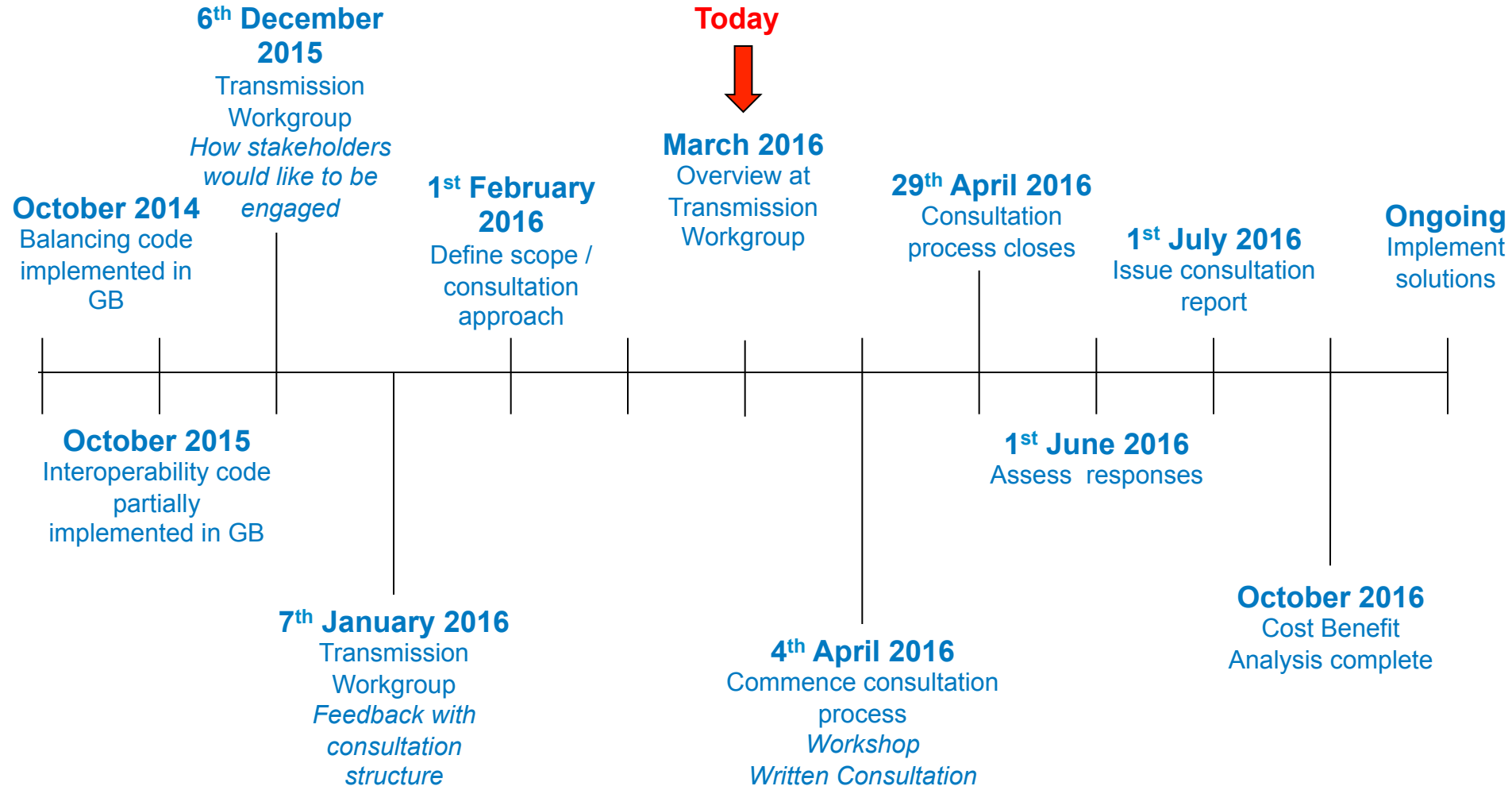
Consultation Document Strawman

For Workgroup Discussion

- EU Code obligations
- Gas quality information
 - Definition of gas quality and how it is measured
 - What we currently provide and its usefulness
 - Ease of access to currently provided information
 - What does industry want and why would this be of value
- Balancing information
 - What we currently provide
 - What do industry want
 - Cost/benefit methodology

Information Provision Consultation nationalgrid

Timeline



Future Topics

Future Topics

Topic Area	Date
Tariffs Code	Monthly updates whilst progressing through comitology
Incremental Code	Monthly updates whilst progressing through comitology
EU Gas Quality	Monthly updates during 2016
Information Provision Consultation	April 2016