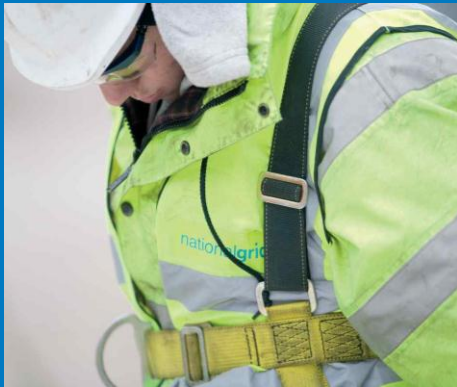


European Update



2nd July 2015

1. General Update

Philip Hobbins - Technical Code Development Manager

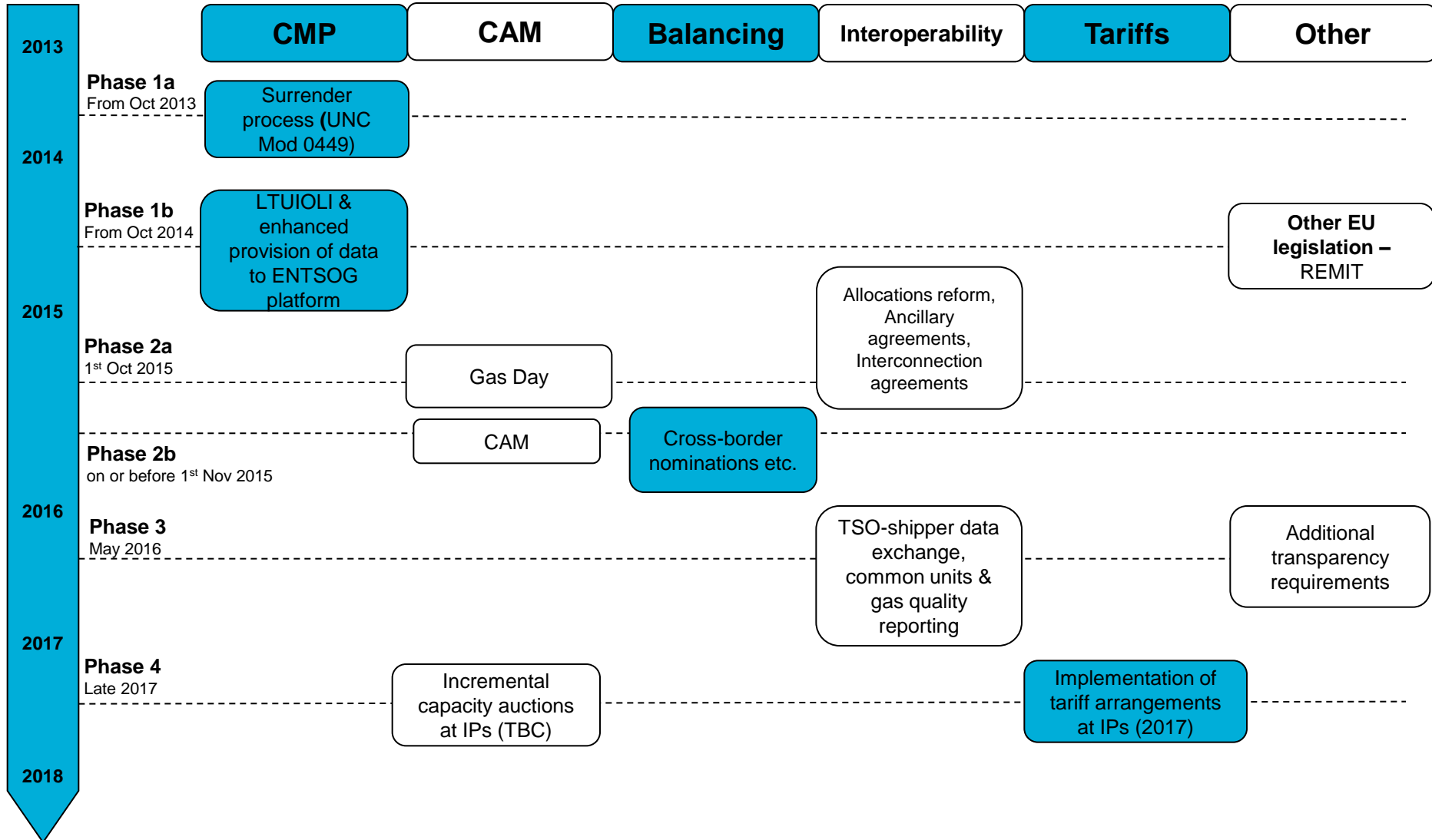
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Code Status Update

Code	Current Status	Implementation date
Congestion Management (CMP)	Implemented	1 st October 2013
Capacity Allocation Mechanism (CAM)	Approved for implementation at relevant EU IPs	1 st November 2015
Gas Balancing (BAL)	Approved for implementation 26 th March 2014	1 st Oct 2015
Interoperability & Data Exchange (INT)	Code entered EU Law on 30 th April 2015 now Commission Regulation (EU) No 703/2015	Some deliverables planned for 1 st October 2015, others by 1 st May 2016
Tariffs	Under development	Estimated earliest mid January 2017. Applicable from October 2017
Incremental Capacity	Under development.	Applicable from March 2017

Road Map



2. EU Code Updates

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Modifications 501V,501AV,501BV,501CV

- Impact Assessment closed 17th June 2015
- Modifications with Ofgem awaiting approval decision
- National Grid (NG) require a decision **before 21st July 2015**
- Bacton Reallocation Process
 - Proformas
 - Currently being developed for all Mod proposals
 - For information purposes only, the proformas are to be published shortly on the JO website <http://www.gasgovernance.co.uk/0501>
 - When one of the 501 Mods is approved the final version of the proformas will be issued, as appropriate, via NG's Operational Team
 - Contact details are currently being obtained from relevant Shippers.

Bacton Reallocation Process Timeline

- The implementation date is the trigger date for the process to commence
- A general note will be issued prior to the invite being issued.

Mods 501V, 501AV and 501CV

Process steps	Initial invite issued	Users Response	NG notify results and issue Final invite	Users Response	NG notify Results	Systems updated
By Number of Business Days	10*	10	5	10	5	10

*but no earlier than 7 BDs for 501CV

Mod 501BV

Process	Initial invite issued	Users Response	NG notify Results and issue Final invite	Users Response	NG notify results and Return invite	Users Response	NG notify Results	Systems updated
By Number of Business Days	10	10	5	10	5	5	5	10

Modification at Interconnector Points (IP)s

- Following industry development of CAM (Mod 500) a request has been made by adjacent TSOs to reduce the eligible minimum quantity to 1 kWh, to better meet the requirements of the Irish market
 - EID (2.1.4 (h)) states that capacity bids and surrender offers entered on PRISMA are not permitted below a minimum quantity of 100,000kWh/d
- National Grid intends to raise a Modification to reduce the minimum eligible quantity to 1 at IPs (1kWh/d at Moffat and 1kWh/h at Bacton)
 - This would be effective from Gas Day 1st Nov 15 to coincide with CAM implementation
 - We currently do not think that there are any system impacts to Gemini or PRISMA.

EU 'Tidy Up' Modification 493/500

- A Tidy Up Mod would affect EID legal text sections A, B & C
- The aim is to amend any areas of the legal text that would benefit from clarification
- Ofgem identified 2 such areas in their decision letter for 493/500 and invited NG to clarify such aspects
- The Legal Text updates can be broadly categorised as:
 - Admin (typos & numbering)
 - Clarifications / Corrections

Next Steps

- 2nd July – introduce at Tx WG
- 16th July Panel – NG request **Self Governance** Modification
- Subject to Panel, walkthrough each change proposed at the Tx WG on Aug 6th
- A single WG may be sufficient (depending on feedback from WG)
- Ideally, then modification will be in place before commencement of EU processes wef 1st Oct.

EU Tariffs Code Update

Colin Hamilton – EU Code Development Manager

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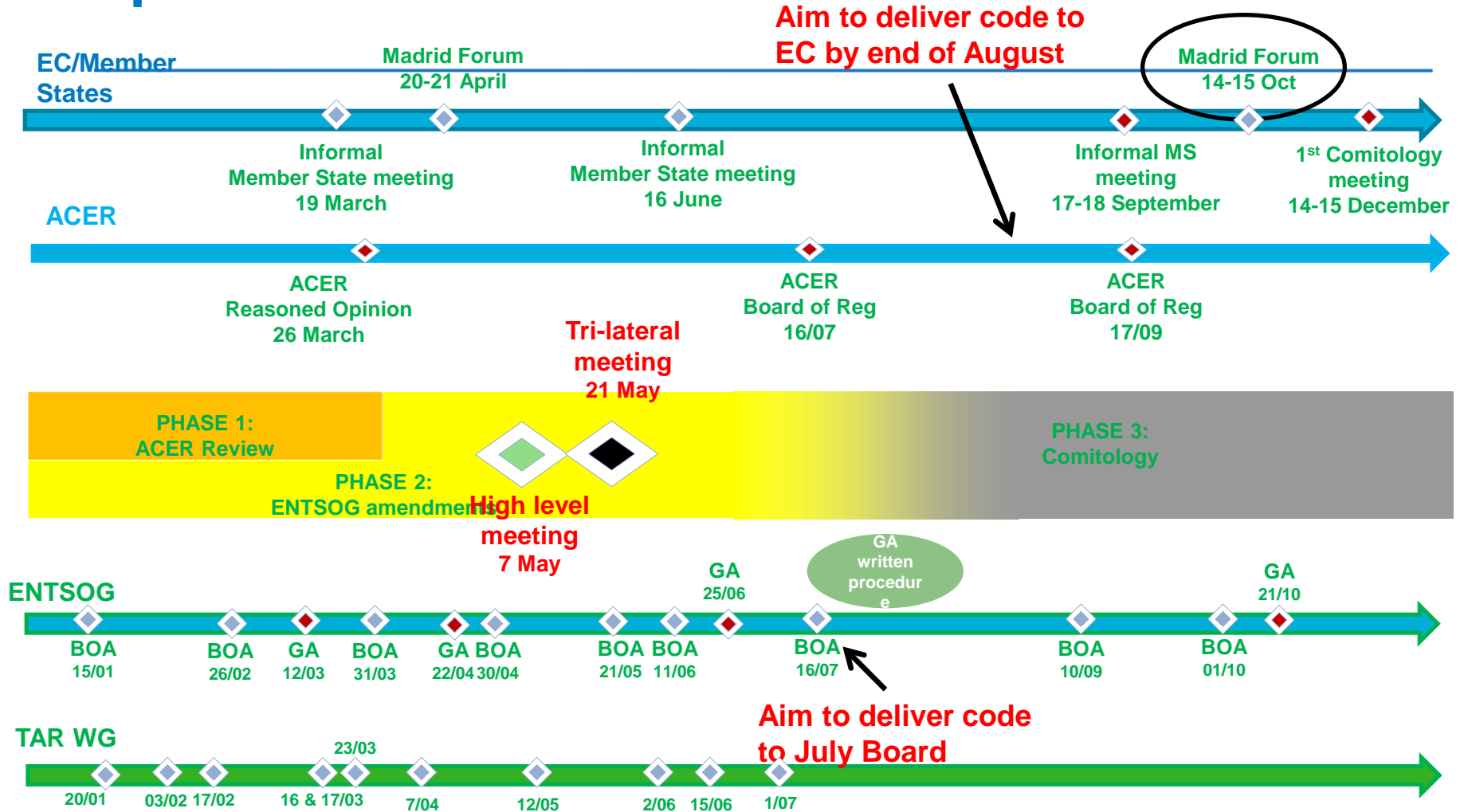
EU Tariffs Code Timeline

- **24th June**: The Explanation of Decisions Document (ExD) and the **TAR NC version of 24 Jun.** to be sent to TAR WG and ACER/EC for comment
- **30th June**: Deadline for comments from the EC/ACER and the TAR WG on the **TAR NC version of 24 Jun** and the ExD.
- **1st July**: ENTSOG Tariff WG agree final revised draft

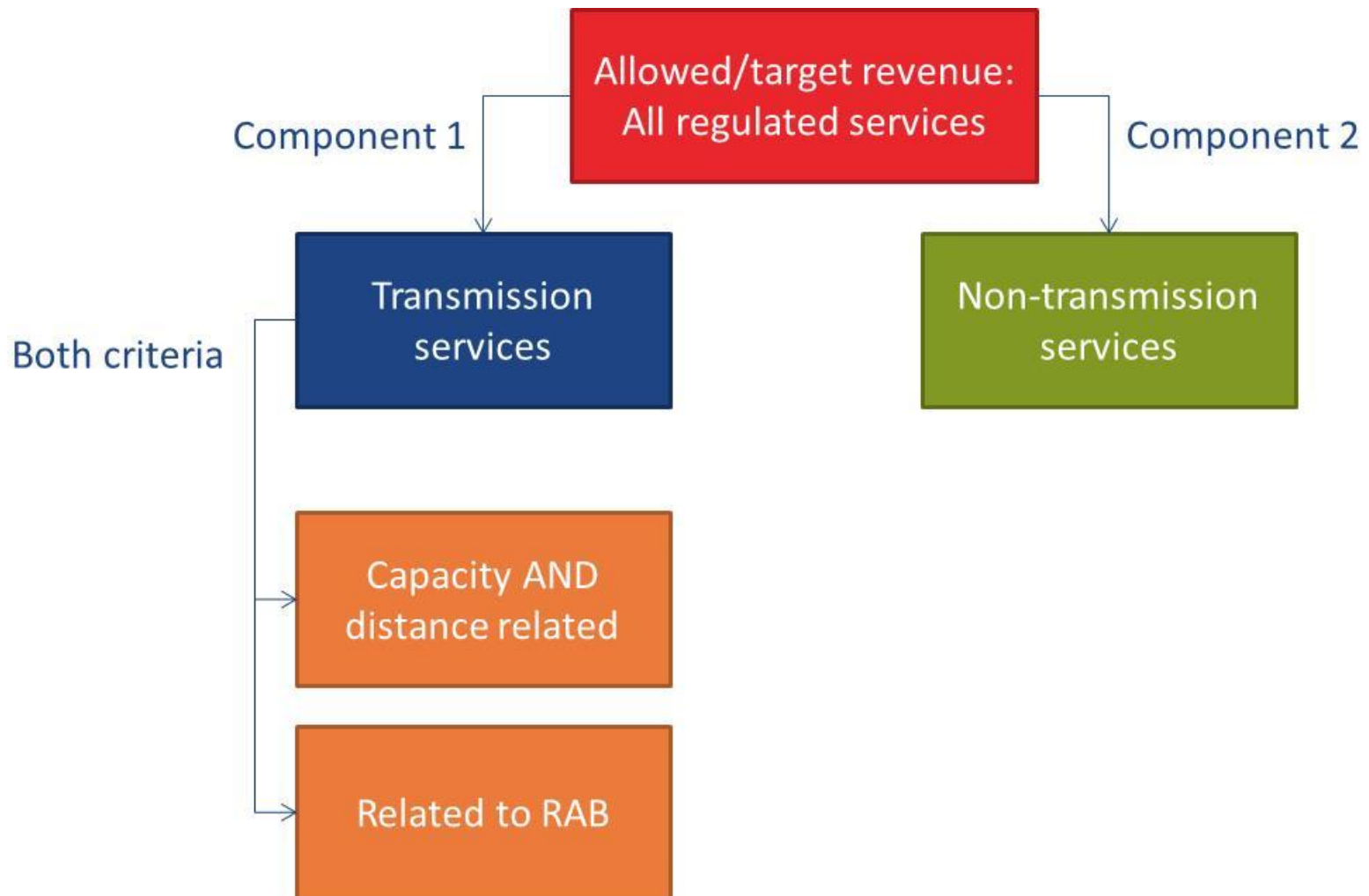
EU Tariffs Code Timeline

- **16th July**: ENTSOG Board consider code for approval
- **Mid- to end July**: written procedure for GA approval
- **End-July**: ACER formally receives revised draft
- Aim for code to be ready for Informal Member State meeting **17th – 18th September**

Updated TAR NC Timeline for 2015



Transmission & non-transmission services



Transmission & non-transmission services

- *‘transmission services’ means the regulated services that are provided by the transmission system operator within the entry-exit system for the purpose of transmission*

- *‘non-transmission services’ means the regulated services other than transmission services that are provided by the transmission system operator provided that the following conditions are not met:*
 - *(a) the costs of such services are caused by the cost drivers of both capacity and distance; and*
 - *(b) the costs of such services are related to the regulated asset base for the provision of transmission services*

Cost Allocation Test

- ACER requirement for test to be based on physical cost drivers of capacity and distance
- This would not account for any Transmission Service revenues from any commodity based CRRC
- ENTSOG to check with ACER whether the exhaustive list of capacity, distance **and flows** would meet their concerns;

Option to offer Fixed Tariffs

- Fixed price tariffs still prohibited for unsold existing capacity in a revenue cap regime
- Concern raised amongst TSOs about complexity where:
 - “Incremental” sold at fixed price but,
 - “Existing” sold at floating price in same auction
- Revised text shall allow both incremental and existing capacity to be sold at a fixed price in a single auction.

Storage

- Concern raised over removal of article on storage
- Unclear if code would allow a different treatment for tariffs at storage points
- Articles on consultation and NRA decision of tariff methodology now states:
 - ***“where relevant, the manner in which transmission tariffs for the storage facilities are set”***
- Does this preserve the ability to apply discounts to storage sites?

Informal Member State Meeting

- Meeting held on 19th June
- Discussion on tariff Network Code and Incremental proposal
- Stakeholders provided their view of the compromises
 - Code changes are an improvement but don't go far enough
- Feedback from Members States
 - Concern with non-binding opinion from ACER
- Next Informal Member State meeting in September

EU Incremental Amendment Update

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Incremental Amendment

- ACER still developing revised text
 - ENTSOG anticipates receipt of text by end June
- Public consultation may be held mid- to end-July
- May wait for ENTSOG approval of TAR NC before holding consultation on incremental amendment
- Amendments to CAM may include
 - Incremental amendment
 - Auction calendar
 - “technical changes” to articles 17-20 (auction algorithms & bundling)

3. UNC Modification Plans

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Phase 2 UNC Modifications

Potential Timescales

EU Network Code	Area of change	Status	Next Steps	UNC Consultation
Gas Balancing (BAL)	Information Provision (489)	Ofgem approved	Implementation	Complete
"	Nomination Process at IPs (493)	Ofgem Approved	Implementation	Complete
"	SMP Buy & Sell (494)	Ofgem approved	Implementation	Complete
Capacity Allocation Mechanism (CAM)	Gas Day change (461)	Ofgem approved	Implementation	Complete
"	CAM / CMP Compliant Capacity Auctions (500)	Ofgem approved	Implementation	Complete
"	Bacton split (501V / 501AV / 501BV / 501CV)	With Ofgem	Impact Assessment	Complete
Interoperability & Data Exchange (INT)	Reform of Allocations (0510)	Final Workgroup Report to Panel	Workgroup Meeting 29 June	Re-Consultation expected late July
"	Harmonisation of Reference Conditions (0519)	Final Workgroup Report to Panel	Ofgem decision	Complete
"	Enabling EU Compliant Interconnection Agreements (0525)	In development	Consultation / FMR to Panel	Closes 9 th July 2015

Planning for Phase II Implementation - Update



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Background

- Last month we provided an overview of our current thinking with regards to EU Phase II planning, i.e. how we aim to ensure that the ‘operability’ of the GB regime is maintained
- That overview highlighted how full phase II implementation will require a number of items including systems, processes and contracts, to come together successfully over the coming months
- Good progress has been made since the last WG meeting, with a number of previously discussed contingencies now unlikely to be required
- Expectation is that this will continue to be the case as we move towards “go live”

Brief updates since last Workgroup

Mod 525 now out for consultation: schedule on track

Confirmed code drops can be accommodated during normal Gemini weekly maintenance window

Stakeholder engagement planning underway to support stakeholder readiness

Interconnection Agreement (IA) discussions progressing well, consultations scheduled for July

Alignment reached on IT testing schedules with adjacent TSOs

Mods 493 & 500 have been approved

Not all sites have yet agreed to provide 5-5 gas day data. Repeat telemetry mod being prepared

Mod 525 amended to accommodate individual process start dates within IA

High Level Contingency Planning Status

■ Contracts

- Contingency not envisaged to be necessary

■ Processes

- Key new processes of nominations matching and OBA are close to finalisation at the time of writing

■ IT systems

- Pre-1st October: NG has built in contingency for code-drop dates; manual processes if adjacent TSO is not ready are being considered, detail being worked up
- Post 1st October: Manual contingency successfully tested for non-receipt of matching files. If Gemini or Adjacent TSO system becomes unavailable – still work in progress

Summary & way forward

- NG will continue to assess and refine contingency arrangements
- To the best of our knowledge, TSOs remain on track for systems delivery and are aligned in terms of delivery milestones
- To prepare for “go live”, NG developing external engagement strategy / user trials
 - Focus on ensuring shippers of all sizes are appropriately informed
- A fuller update can be provided at August Workgroup when system integration testing should be substantially complete
- EU changes will be covered again in our Gas Customer Seminar in September 2015
- We would appreciate stakeholders sharing their contingency plans with us in case these need to be actioned

Future Topics

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Future Topics

Topic Area	Provisional Date
Tariffs Code	Monthly updates whilst progressing through comitology
Incremental Code	Monthly updates whilst progressing through comitology
EU Phase 2 Systems Update	August Workgroup

Your feedback is important to us

- You can always contact us to ask questions, provide feedback or tell us how we are doing, particularly in relation the topics discussed today:
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- You can also provide feedback online if you wish:
<http://www2.nationalgrid.com/uk/services/transmission-customer-commitment/contact-us/>