

## European Update



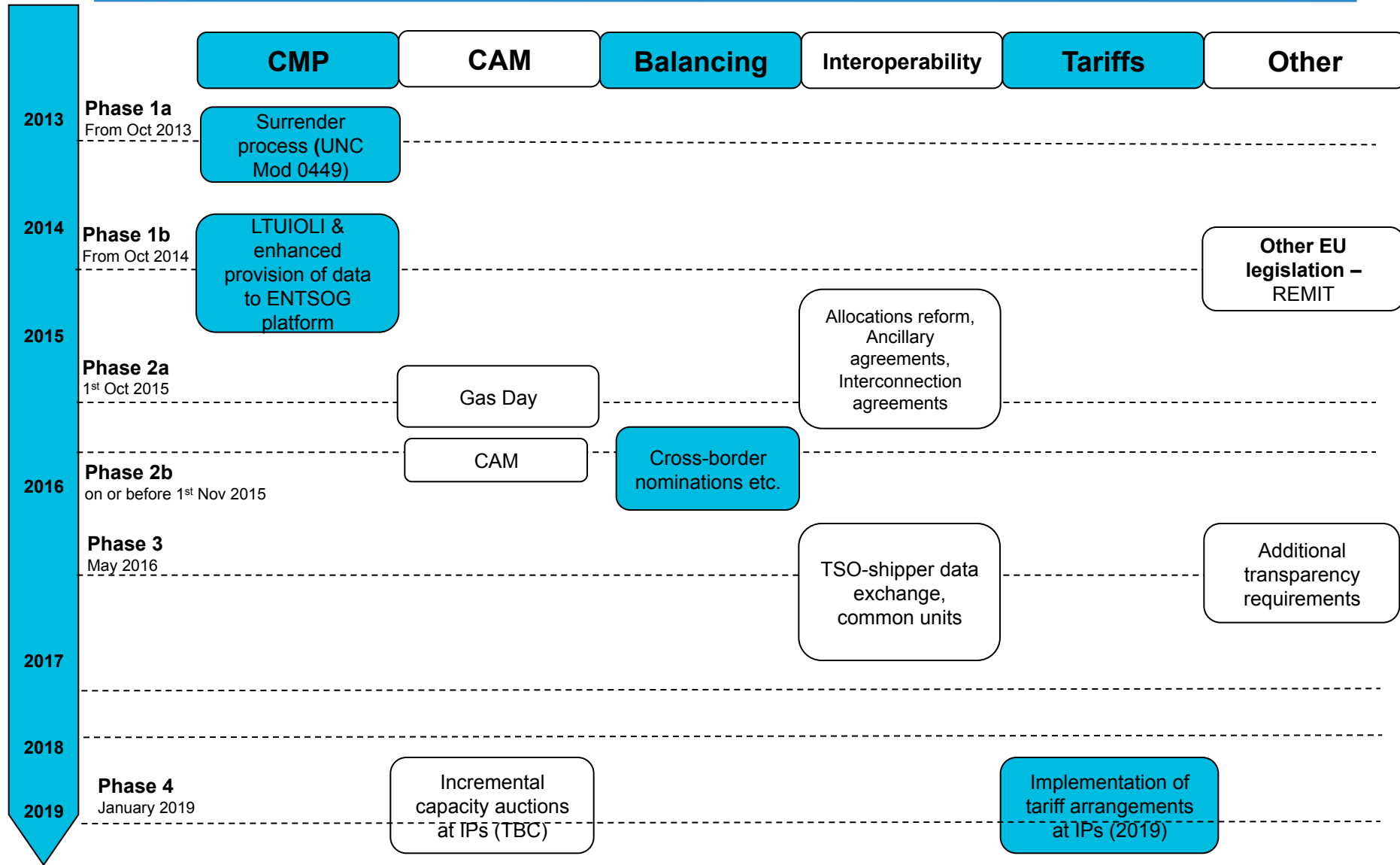
7th January 2016

# 1. General Update

## Code Status Update

Code	Current Status	Implementation date
Congestion Management (CMP)	Implemented	1 <sup>st</sup> October 2013
Capacity Allocation Mechanism (CAM)	Approved for implementation at EU IPs	1 <sup>st</sup> November 2015
Gas Balancing (BAL)	Approved for implementation 26 <sup>th</sup> March 2014	1 <sup>st</sup> October 2015
Interoperability & Data Exchange (INT)	Code entered EU Law on 30 <sup>th</sup> April now Commission Regulation (EU) N0 703/2015	Some deliverable planned for 1 <sup>st</sup> October 2015, others by 1 <sup>st</sup> May 2016
Tariffs (TAR)	Under development	Applicable from January 2019
Incremental Capacity	Under development	Applicable from January 2019

# Road Map



It has been necessary to 'round' some dates for the benefits of the diagram

### Activities undertaken by European Commission

[illegible]

## 2. EU Code Updates

# EU Tariffs Code Update

January 2016

## EU Tariffs Code

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- **6 Nov 2015 – 8 Jan 2016:** Trilateral meetings between EC, ACER & ENTSOG on potential changes to TAR NC
  - EC asked ENTSOG (and ACER) to develop proposals
    - Areas where there was some uncertainty or alternative proposals have been requested
- **15 December 2015:** EC held an open informal information session on the key changes to the Tariff Code.

## Transparency

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- Commission feels that it is a “black box as to how transmission tariffs are calculated”
- Transparency requirements will include: WACC, allowed revenue, efficiency parameters, depreciation periods....
- Published on ENTSOG Transparency Platform
- Tariff calculation should be a well-documented process
- ACER to publish Recommendation on TSO revenues & Finances

## Reference Price Methodologies

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- CWD remains in the code as the counterfactual
- No other methodologies included in code
- Any proposed methodology must be compared with benchmark CWD
- All methodologies must be assessed by ACER
- More detailed implementation monitoring criteria to be included

## Reference Price Methodologies

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- ENTSOG asked to reduce options within the counterfactual version of CWD in the TAR NC
  - Forecasted contracted capacity
  - Shortest pipeline route between points
  - Possibility to cluster points
  - 50/50 entry/exit split
- Cost allocation test remains
- Finally agreed tariffs to be published on ENTSOG Website

## Fixed prices at IPs

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- No change for existing capacity (i.e. floating price only)
- Fixed price allowed for incremental but limited to ‘big projects’
  - ENTSOG has tried to develop arguments for fixed prices for all incremental projects.
- EC has ENTSOG asked to define “Big”
- ENTSOG proposal to be discussed at next trilateral meeting on 8 January

## Storage

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- **Default of 50% discount to apply on entry/exit tariffs**
  - TSO/NRA consultation could suggest different values based on elaborated version of original criteria.
    - Way storage is used (beneficial or not)
    - Impacts on network investment needs
    - Way competition may be affected from other non-storage infrastructure providing comparable flexibility

## Interruptible capacity at IPs

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- EC may propose to amend CAM such that all firm must be sold before interruptible is released
- Strong push back from ENTSOG
- EC to consider ENTSOG's views until next trilateral meeting
- Ex-ante discount to be default rule but fixed ex-post discounts may be possible

## Implementation timescales

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- EC pushing for **12 month** implementation
- ENTSOG have proposed about **25 months** (due to consultation and ACER assessment requirements)
- National Grid view is that even two years could be challenging for GB regime (3 years?)

## Implementation timescales

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- EC' s 12 month proposal linked to regulatory period (do they mean tariff period?)
  - Clarification being sought by ENTSOG
- EC intention is that there could be a possible delay allowed for any change to the reference price methodology
- All other changes would apply from “**entry into force + 12 months**”

## Process – next steps

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- Finalisation of legal drafting – **end Jan 2016**
- Commission-Internal consultation – **Feb 2016**
- English text sent to Member States (and publication of proposal and IA on comitology register) – **end Feb 2016**
- Comitology meetings
  - **10-11 March**
  - **28-29 April**
  - **29-30 June**
- EP and Council scrutiny – **autumn 2016**
- Adoption and entry into force – **end 2016**
- **If any delay in TAR NC process then INC may still continue**

## On the horizon....

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- On 15 December Commission stated that:
  - TAR NC is the beginning of a process
  - Further development of TAR NC in the future
  - EC “*will certainly not wait five years to evaluate TAR NC*”
  - Madrid Forum to be used for discussing implementation of code
  - Decision on any changes may be made in 2018 when TAR NC is “up and running”
    - CAM NC is also being reviewed
  - There will be changes to procedures for amending network codes
  - Gas Target Model should also be looked at

# Information Provision

## *Interoperability / Balancing codes*

Transmission Workgroup

Jennifer Randall

Thursday 7<sup>th</sup> January 2016

# Actions

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How far back do the current gas quality data go: – *available since 2010*

- Report: 'Calorific Value Report' – *undated daily at 10am*
- Report: 'Actual Offtake Flows' – *updated daily at 12:30*
- Report: 'NTS Commercial Entry End of Day' – *23<sup>rd</sup> of the subsequent month at 10am (M+15); 2 days after the gas day at 10am (D+2)*
- Report: 'NTS Physical Entry End of Day' – *published daily (D+1); monthly (M+15)*

Is there any further gas quality information NG could provide in the short term before the conclusion of the consultation?

- Need to understand from stakeholders what information is useful through the consultation
- Labour intensive to get the gas quality information out of the systems
- At this stage, do not have the resource available to carry out this function on an enduring basis.

# Balancing Code

## Article 38: Cost benefit analysis

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### Article

1. Within two years as from the entry into force of this Regulation, the transmission system operators shall assess the benefit of;

(a) Increasing the frequent of information provision to network users;

(b) Reducing the related timeline of information provision;

(c) Improving the accuracy of the information provided.

This cost benefit analysis shall specify the breakdown of costs and benefits among the categories of affected parties.

2. The transmission system operator shall consult the stakeholders on this assessment, in cooperation with the distribution system operators where they are affected

3. On the basis of the consultation results, the national regulatory authority shall decide on any relevant changes of information provision.

## Proposed approach

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- Combine the consultations required as part of the balancing and interoperability codes into one
- Following feedback, consultation via workshop(s) & written consultations. This will include;
  - Stakeholders' requirements
  - What NG can provide
- Commence consultation process by 1<sup>st</sup> May
- Carry out cost benefit analysis
- Communicate conclusions
- Implement any changes

# EU Gas Quality

7<sup>th</sup> January 2016

## EU Gas Quality Harmonisation Update

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- The EC has formally invited ENTSOG to start the process of making the CEN gas quality standard legally binding
- ENTSOG has been asked to:
  - Prepare a detailed analysis, focusing on the entire natural gas value chain in all relevant Member States, on the impacts and issues associated with codifying the standard, including consistency with the provisions already part of Regulation 2015/703; and
  - Submit a proposal to ACER to amend the Network Code on Interoperability and Data Exchange Rules by 30 June 2017
- ENTSOG will begin its scoping work in Q1 2016
- National Grid NTS will keep the Workgroup informed of progress

# Mod 560 - Update

7<sup>th</sup> January 2016

## Modification 0560: Implementation Update

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- Ofgem gave direction to implement Mod 0560 'Addressing under-allocation of flows from BBL arising from misalignment of reference conditions' on 4<sup>th</sup> December 2015
- National Grid NTS can confirm that the first adjustments will appear on Users' energy balancing invoices for the month of November 2015 (covering adjustments for the months of October and November)
- Subsequent adjustments will be processed on a monthly basis in respect of each month up to and including April 2016

# EU Phase 3: TSO – Shipper Data Exchange

7<sup>th</sup> January 2016

# Update

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- Article 21 of the EU Interoperability and Data Exchange Network Code sets out an obligation that requires TSOs to implement 'common solutions' for 'TSO to shipper' data exchange in respect of IPs
- National Grid NTS proposes to meet the above obligation by implementing an 'integrated' solution with a 'B2B layer' that enables communication with a counterparty that has implemented a document based solution
- Article 23(2) of the Interoperability Code provides that
  - *“Where data exchange solutions between a transmission system operator and concerned counterparties are in place on the date of entry into force of this Regulation and provided that the existing data exchange solutions are compatible with Article 22 and with data exchange requirements under Article 20(2), the existing data exchange solutions may continue to apply after consultation with network users and subject to the approval of the national regulatory authority of the transmission system operator.”*
- We recognise that GB shippers want to continue to have the IX facility post 1<sup>st</sup> May 2016 to submit IP nominations and receive confirmed quantities
- National Grid NTS has therefore written to Ofgem seeking regulatory approval to allow this current method of data exchange with GB shippers in respect of the nominations process at IPs to continue to be facilitated by IX post 1<sup>st</sup> May 2016

## Future Topics



# Future Topics

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