



**Modification Proposal 560:  
Addressing under-allocation of flows from BBL  
arising from misalignment of reference conditions**

Transmission Workgroup

1<sup>st</sup> October 2015

# EU Interoperability Code: Reference Conditions

- EU Interoperability Code requires harmonised reference conditions
  - Temperature at which Volume and Cv are determined
  - EU requires harmonisation at 0°/25°
    - unless Adjacent TSOs arrangements are already harmonised at other conditions
    - and NRA approves (as at Moffat)
  - Commercial operation of NTS carried out at 15°/15°
  - Also requires standard-form Interconnection Agreements, including OBAs
- Balancing Code requires harmonised nominations matching processes
  - Between adjacent TSOs at IPs
  - Requires application of a 'Matching Rule'

# Misalignment Problem

- BBL implementing nominations matching from 1<sup>st</sup> October 2015
  - Integrated IT solution across its system (i.e. including at Julianadorp)
  - Including change in reference conditions to 0°/25°
- NG implementing:
  - Nominations matching from 1<sup>st</sup> October 2015
  - Solution for reference conditions (modification 519) from 1<sup>st</sup> April 2016
  - Ringfenced for IPs, rest of NTS will continue at 15°/15°
- Misalignment of reference conditions
  - Leads to 0.1% under-allocation of gas for flows entering the NTS via BBL
  - Value loss to BBL Shippers, total of c.£700k (Oct – April)

# Impact of Misalignment

- A quantity of energy expressed at 15° /15° is slightly greater than at 0°/25°
  - Ratio of 1:0.9990
- Matching Process
  - Matching Rule is that BBL-side Nominations prevail
  - In order to match, NTS side noms get reduced
- 'Allocate as nominate' rule – Allocations are as per matched noms
  - i.e. the lower value of the matched nominations
- Gas 'disappears' as it crosses the flange into the NTS
- Shippers will have an imbalance position on the NTS as a result
- NG will buy less shrinkage gas than it would otherwise
  - Impact is reduction on SO Commodity charges

# Possible Solutions Considered

- Reconciliation via Shrinkage Account
  - Reconciliation payment from (NTS) Shrinkage Provider
  - NTS Shrinkage corrected by prospective adjustment of the NTS Shrinkage Factor
  - NG concerns
    - lack of available process
    - rules restricting permitted actions by the Shrinkage provider
- Reconciliation via SO Commodity Charges
  - Lack of available process
- Reconciliation via Balancing Neutrality
  - Viable and simplest approach
  - In line with approach taken with Mod 519 – applies a ‘balancing allocation’

# Balancing Neutrality Solution

- One-off adjustment of Energy Balancing Neutrality
- [1 month][2 months] after implementation of IT solution for Mod 519
- Calculate the 'balancing allocation' for each day
  - Same basic approach as for mod 519
- Reconcile at SAP
  - Assumption: Shipper would have corrected for an imbalance position they knew about in advance
- Energy Balancing Invoice Adjustments
  - Returning value of gas (their 'over-payment' of imbalance charges) to affected Shippers

# Proposed Timescales

<b>Initial consideration by Workgroup</b>	5 November 2015
<b>Amended Modification considered by Workgroup</b>	3 December 2015
<b>Workgroup Report presented to Panel</b>	17 December 2015
<b>Draft Modification Report issued for consultation</b>	18 December 2015
<b>Consultation Close-out for representations</b>	13 January 2016
<b>Final Modification Report presented to Panel</b>	14 January 2016
<b>UNC Modification Panel decision</b>	21 January 2015

Any Comments, Views, please contact:



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