

Modification	At what stage is this document in the process?
<h1>0595:</h1> <h2>Amendment to the Arrangements between National Grid NTS and GNI at the Moffat IP to provide for Interruption of Virtual Reverse Flow</h2>	<div style="display: flex; flex-direction: column; align-items: flex-end;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; background-color: #e6f2ff; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; background-color: #f2e6ff; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; background-color: #fff9e6; padding: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This is an enabling modification. Gas Networks Ireland (GNI) has requested a change to the terms of the Tripartite Agreement between National Grid, GNI (UK) and GNI in respect of the Interconnection Point (IP) Nominations arrangements at Moffat. The agreement needs to be brought into line with the already implemented arrangements for interruption of the within-day Virtual Reverse Flow (VRF) capacity entitlements.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>subject to self-governance</li> <li>assessed by a Workgroup.</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 15 September 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: GB Shippers active at the Moffat IP (for Republic of Ireland flows), National Grid NTS, GNI</p>

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<b>Timetable</b>		 <a href="mailto:phil.hobbins@nationalgrid.com">phil.hobbins@nationalgrid.com</a>
<b>The Proposer recommends the following timetable:</b>		 01926 653432
Initial consideration by Workgroup	06 October 2016	
Workgroup Report presented to Panel	17 November 2016	
Draft Modification Report issued for consultation	17 November 2016	
Consultation Close-out for representations	08 December 2016	
Final Modification Report available for Panel	09 December 2016	
Modification Panel decision	15 December 2016	

# 1 Summary

## What

The Tri-partite Agreement between National Grid, Gas Networks Ireland (UK) (GNI (UK)) – as the owner and operator of the Irish Interconnector - and Gas Networks Ireland (GNI) as the Transmission System Operator in the Republic of Ireland requires revision to reflect the arrangements for interruption (by GNI) of within-day VRF capacity entitlements. Such action may need to be reflected in Users' end of day gas allocations hence changes are required to the prevailing arrangements for the processing of nominations for the conveyance of gas to the Republic of Ireland as under normal operating conditions, a User's gas allocation is equal to the sum of its nomination quantities on a day.

## Why

In the absence of the changes described in this proposal, the tri-partite agreement will not adequately reflect GNI and Users' rights and obligations as a consequence of the operation of GNI's within-day VRF capacity product.

## How

The UNC prescribes that changes to certain inter-TSO arrangements (i.e. those that impact Users) are not able to be made by TSOs in the absence of the consent of those Users. This consent is able to be obtained by either:

- the express consent of each of those impacted Users; or
- the implementation of an 'enabling' UNC Modification as a transparent means of highlighting the issue to relevant Users.

As is customary in these circumstances, National Grid NTS has elected to seek consent via this enabling modification.

# 2 Governance

## Justification for Self-Governance

The Proposer believes that Self Governance procedures should apply because the change proposed is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes. This is because this change is limited to aligning the inter-TSO arrangements with the already established terms of use of the interruptible within-day VRF capacity product.

The change proposed is also unlikely to discriminate between different classes of parties to the Uniform Network Code/relevant gas transporters, gas shippers or DN operators. This is because the changes will have the same impact on all Users whose commercial activities concerning the conveyance of gas to the Republic of Ireland involve utilisation of an interruptible within-day VRF capacity product.

## Requested Next Steps

This modification should:

- be subject to self-governance
- be assessed by a Workgroup.

Pre-modification discussion took place at the Transmission Workgroup on 01 September 2016. Such discussions indicated that the proposal required further explanation and would therefore benefit from further assessment by a Workgroup.

## 3 Why Change?

### Background

With effect from 01 October 2015, new arrangements were introduced in order to comply with a number of new EU regulations including arrangements in respect of the **processing of Nominations** at GB IPs. This was to address the requirements detailed in the EU Balancing Code (Regulation 312/2014) Articles 12 to 17 inclusive, and the EU Interoperability and Data Exchange Code (Regulation 2015/703) Article 8.

From a GB perspective necessary amendments to the **UNC** were made via Modification 0493, which principally addressed the changes to the rights and obligations between GB shippers and National Grid NTS. Changes were also made to the inter-transporter arrangements in place at each GB IP. In respect of the arrangements relevant to the conveyance of gas from GB to the Republic of Ireland via the Moffat IP, this necessitated the creation of a **Tri-partite Agreement** ('the Agreement') between National Grid, GNI (UK) and GNI.

Annex B of the Agreement details the arrangements for the processing of nominations for the conveyance of gas to the Republic of Ireland via Moffat. This includes the agreed matching rule for the harmonisation of nomination quantities for 'corresponding' nominations submitted in each balancing zone (i.e. GB and the Republic of Ireland).

### Change Driver and Parties impacted

GNI has requested an amendment to Annex B of the Agreement as a consequence of the introduction in April 2016 of its within-day VRF capacity product at the Moffat IP. In the event that GNI deems it necessary to interrupt this capacity entitlement (pursuant to the terms conditions of its use) it may be necessary for GNI to reduce Users' nominations (and hence their gas allocations).

Under normal operating conditions a User's allocation at an IP is equal to its Confirmed Nomination Quantity therefore the interruption of a User's VRF capacity entitlement may necessitate reduction of a prevailing Confirmed Nomination Quantity by GNI<sup>1</sup>. As nominations are 'matched' at the Moffat IP, such a reduction would be reflected in the corresponding GB User's nomination position.

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<sup>1</sup> Article 17(4) of the EU Balancing Code contemplates that a Transmission System Operator (TSO) may legitimately revise User's nominations pursuant to "*the specific terms and conditions applicable to interruptible capacity*".

The prevailing terms of the Agreement only contemplate revision of nominations by a TSO in an ‘Exceptional Event’ (for GB, a ‘Transportation Constraint’ as defined in the UNC) or an ‘Emergency’ (for GB, a ‘Gas Deficit Emergency’ as defined in the UNC). GNI has confirmed that interruption of VRF capacity in the circumstances described above would constitute neither an ‘Exceptional Event’ nor an ‘Emergency’.

The Agreement therefore requires amendment to:

- permit GNI to amend its Users’ nominations as a consequence of the interruption of VRF capacity entitlements; and
- amend the ‘matching rule’ to ensure that the GNI specified nomination value prevails in these circumstances.

## Change Process

The UNC specifies the requirements for amendment of the nominations arrangements as detailed in the relevant Interconnection Provisions. This is detailed in Section A of the European Interconnection Document as follows:

“4.1.1 For the purposes of this Document:

[...]

(b) “**Relevant Interconnection Provisions**” are the following Interconnection Provisions:

[...]

(iv) Matching Provisions so far as they provide for or directly affect how the provisions of Section C are to operate as between National Grid NTS and Users;

[...]

4.1.3 National Grid NTS will not agree with the Adjacent TSO to amend the Relevant Interconnection Provisions in relation to an Interconnection Point except:

- (a) with the approval of each User which for the time being holds Available Interconnection Point Capacity at the Interconnection Point, or
- (b) pursuant to a Code Modification which authorises such agreement; or
- (c) as may (in the reasonable opinion of National Grid NTS) be required to enable National Grid NTS or the Adjacent TSO to comply with any Legal Requirement.”

As Section A4.1.3(c) does not apply and due to the practical difficulties associated with obtaining the individual approvals described in A4.1.3(a), National Grid NTS has elected to seek approval for the change via the means described in A4.1.3(b), i.e. via this ‘enabling’ modification. This route has the added advantage of full transparency to all Users regarding this proposed change.

## Consequences of non-implementation

In the absence of the changes described above, the Agreement will not adequately reflect GNI’s obligations as a consequence of the operation of the VRF capacity product.

## 4 Code Specific Matters

### Reference Documents

EU Balancing Code (EU Regulation 312/2014):

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0312&from=EN>

EU Interoperability and Data Exchange Code (EU Regulation 2015/703):

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0703&from=EN>

Uniform Network Code – European Interconnection Document Section A:

[http://www.gasgovernance.co.uk/sites/default/files/EID%20Section%20A%20-%20General\\_6.pdf](http://www.gasgovernance.co.uk/sites/default/files/EID%20Section%20A%20-%20General_6.pdf)

### Knowledge/Skills

EU Network Code Industry Information:

<http://www2.nationalgrid.com/UK/Industry-information/Europe/Industry-Material/>

## 5 Solution

No textual change to the UNC is required. The changes proposed to the Relevant Interconnection Provisions in the Agreement between National Grid, GNI (UK) and GNI are as follows:

- to provide for revision of nominations as a consequence of GNI interruption of VRF capacity entitlement, it is proposed that relevant section of Annex B which deals with **TSO revision of nominations** as a consequence of Exceptional Events and Gas Deficit Emergencies is extended to include interruption of VRF by GNI. It is also proposed to add the word “Interruption” to the relevant section heading; and
- to ensure the correct Confirmed Nomination Quantity is determined, it is proposed to revise the ‘**matching rule**’ terms such that the Confirmed Nomination Quantity in the event of GNI revision of a nomination as a consequence of interruption of VRF will be equal to the Processed Nomination Quantity determined by GNI.

For the avoidance of doubt, where GNI declares the interruption and revises Processed Nomination Quantities under GNI Nominations, it will re-determine Confirmed Nomination Quantities and (as per prevailing arrangements) notify to GNI (UK) revised Confirmed Nomination Quantities. Upon receipt of such notification GNI (UK) will forward revised Confirmed Nomination Quantities to National Grid NTS. Finally, each Transporter will notify revised Confirmed Nomination Quantities to their respective Shippers, i.e. National Grid NTS will notify the relevant GB Users.

## 6 Impacts and Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, and if so, how?

No.

#### Consumer Impacts

None – the impact is expected to be limited to shippers and a subset of TSOs.

#### Cross Code Impacts

None.

#### EU Code Impacts

None – the change proposed is consistent with Article 17(4) of the EU Balancing Code as described above, and the wider Nominations Matching provisions detailed in Article 8 of the EU Interoperability and Data Exchange Code.

#### Central Systems Impacts

None – the GB central systems are already configured to receive nominations matching information from National Grid's adjacent TSOs, all of whom currently operate as the respective matching TSOs (who undertake the matching process) at each of the GB IPs. Hence, the GB central systems are not required to incorporate or take account of any change to the nominations matching rule as proposed in this instance.

#### User Pays

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Positive

The Proposer considers that this is an 'enabling' Modification which, in the absence of any other changes beyond the scope of this modification, would have no impact, either positive or negative, on relevant objectives (a) to (f).

This modification would further relevant objective g) "*Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators*" because it helps to demonstrate the general co-operation obligations between TSOs which are required under EU Regulation 715/2009.

## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

Not applicable.

### Text

There are no changes required to the UNC as part of this enabling modification because the amendments will be contained within the Tri-partite Agreement between National Grid, GNI (UK) and GNI.

The proposed amendments to the Tri-partite Agreement will be provided by GNI for visibility purposes.

## 10 Recommendations

### Proposer's Recommendation to Panel

The UNC Modification Panel is asked to:

- Agree that self-governance procedures should apply; and
- Refer this proposal to a Workgroup for assessment.