nationalgrid

European Developments

Transmission Workgroup

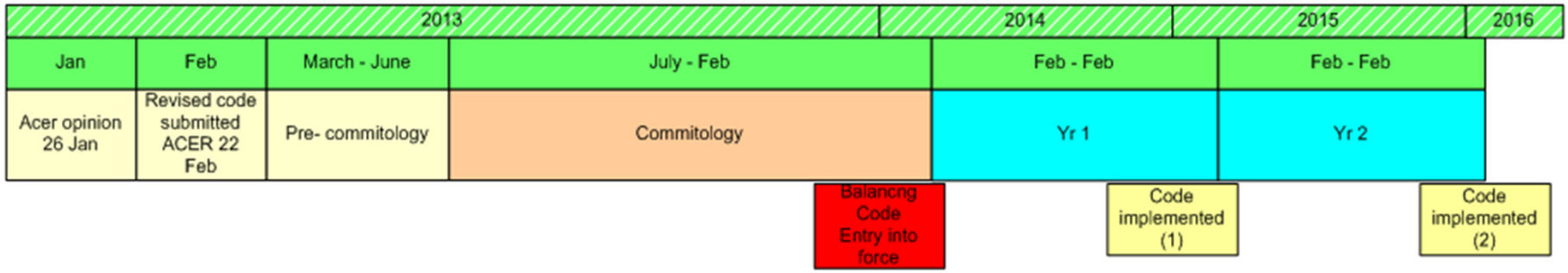
4th April 2013

nationalgrid

EU Balancing Code – Overview

nationalgrid

EU Gas Balancing Code - Timeline



- Unqualified approval by ACER – March
- Comitology - July
- Translation
- 3 month Council/Parliament veto (Sept to Nov)
- Adoption - Dec 13
- Code published - Jan 14
- Code enters in to force 3 weeks later – Feb 14
- Implementation - Feb 15 or Feb 16 (subject to NRA approval)

nationalgrid

EU Gas Balancing Draft Code

- There are 11 chapters and 56 pages of text

Chapter	Title
1	General Provisions (includes definitions)
2	Balancing System
3	Cross-border cooperation
4	Operational Balancing
5	Nominations
6	Daily Imbalance Charges

Chapter	Title
7	Within Day Obligations
8	Neutrality Arrangement
9	Information Provisions
10	Linepack Flexibility Services
11	Final Provisions

- **Full code available http://www.entsog.eu/publications/balancing**

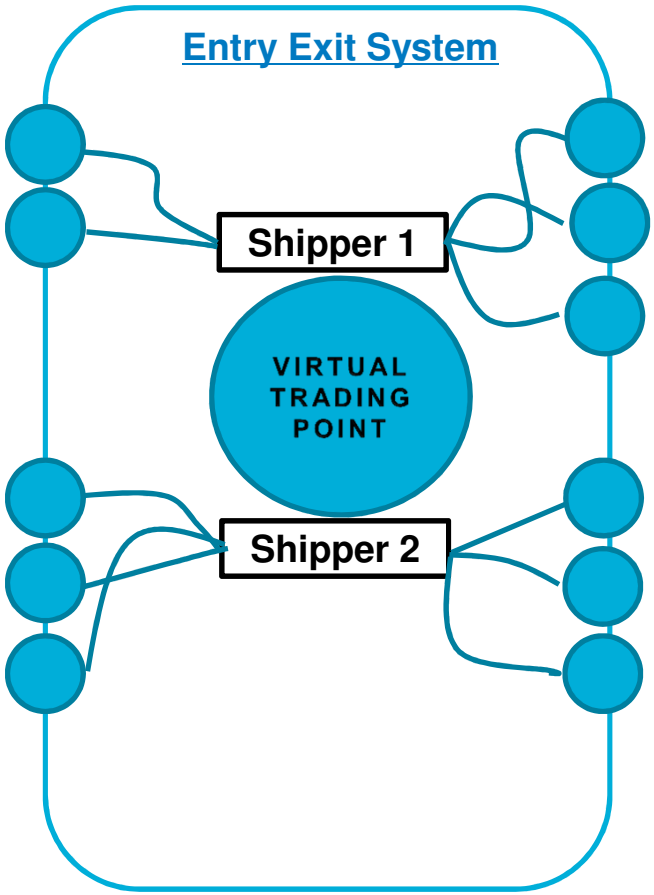
nationalgrid

Chapter 1. General Provisions

- Sets out that EU Balancing Code will prevail over any other network codes or national legislation
- Now includes the code definitions

nationalgrid

Chapter 2. Balancing System



- The code describes the underlying features of a virtual trading point and the trade notification process
- A trade between two parties is a transfer from the account of the seller to the account of the buyer – the TSO registers this trade to each Shippers account
- This transfer takes place on a notional point in the "centre" of the system: a virtual trading point

nationalgrid

Chapter 3. Cross-border cooperation

Gas Market Integration

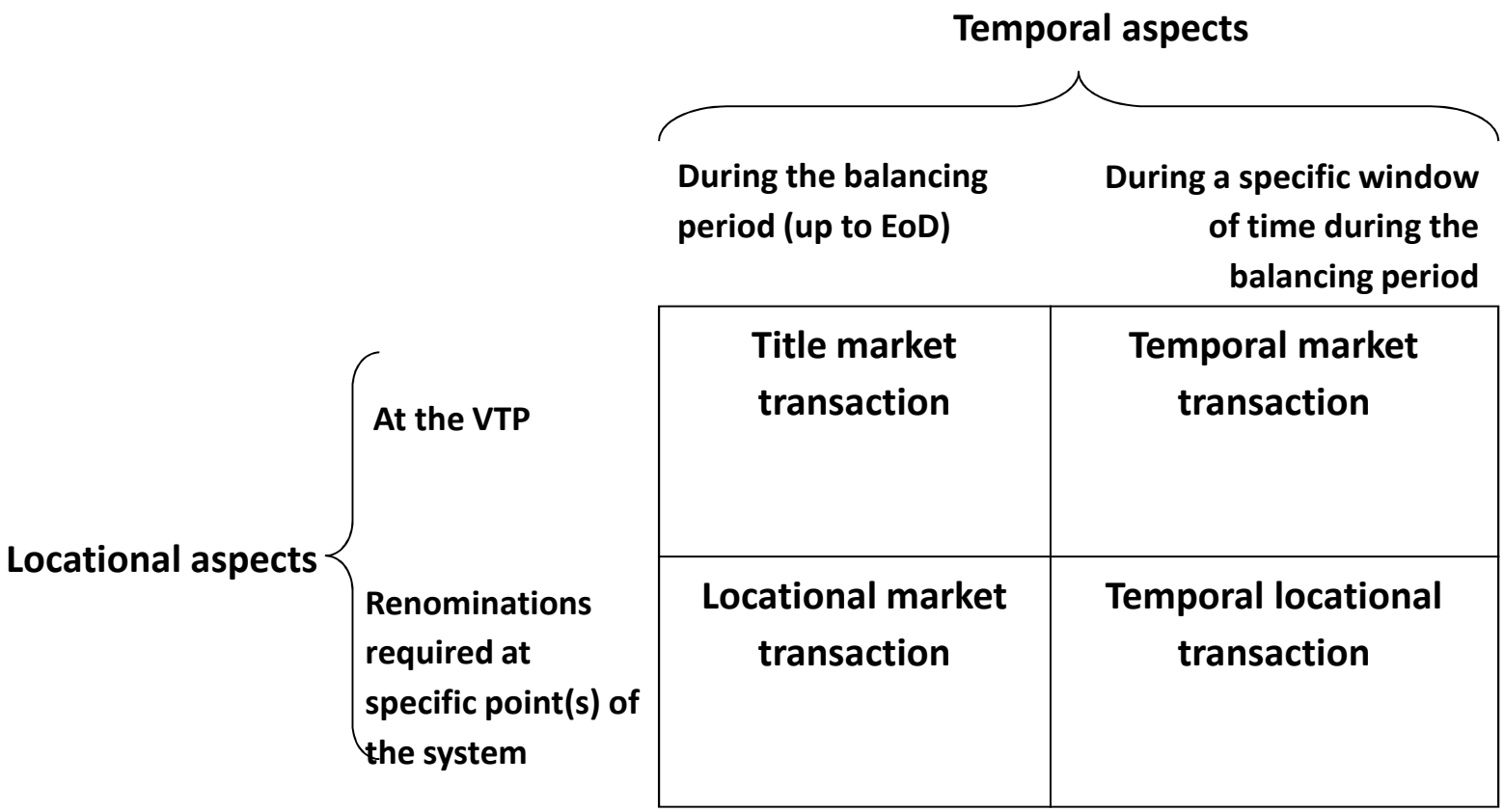
- ❑TSOs consult on options
- ❑Cost Benefit Assessment
- ❑TSO considers ENTSOG and ACER Comments
- ❑TSO submits proposals to NRA

Rules Harmonisation Review

- ❑ ENTSOG regular review of balancing rules
- ❑ Stakeholder involvement
- ❑ Published report with conclusions and recommendations

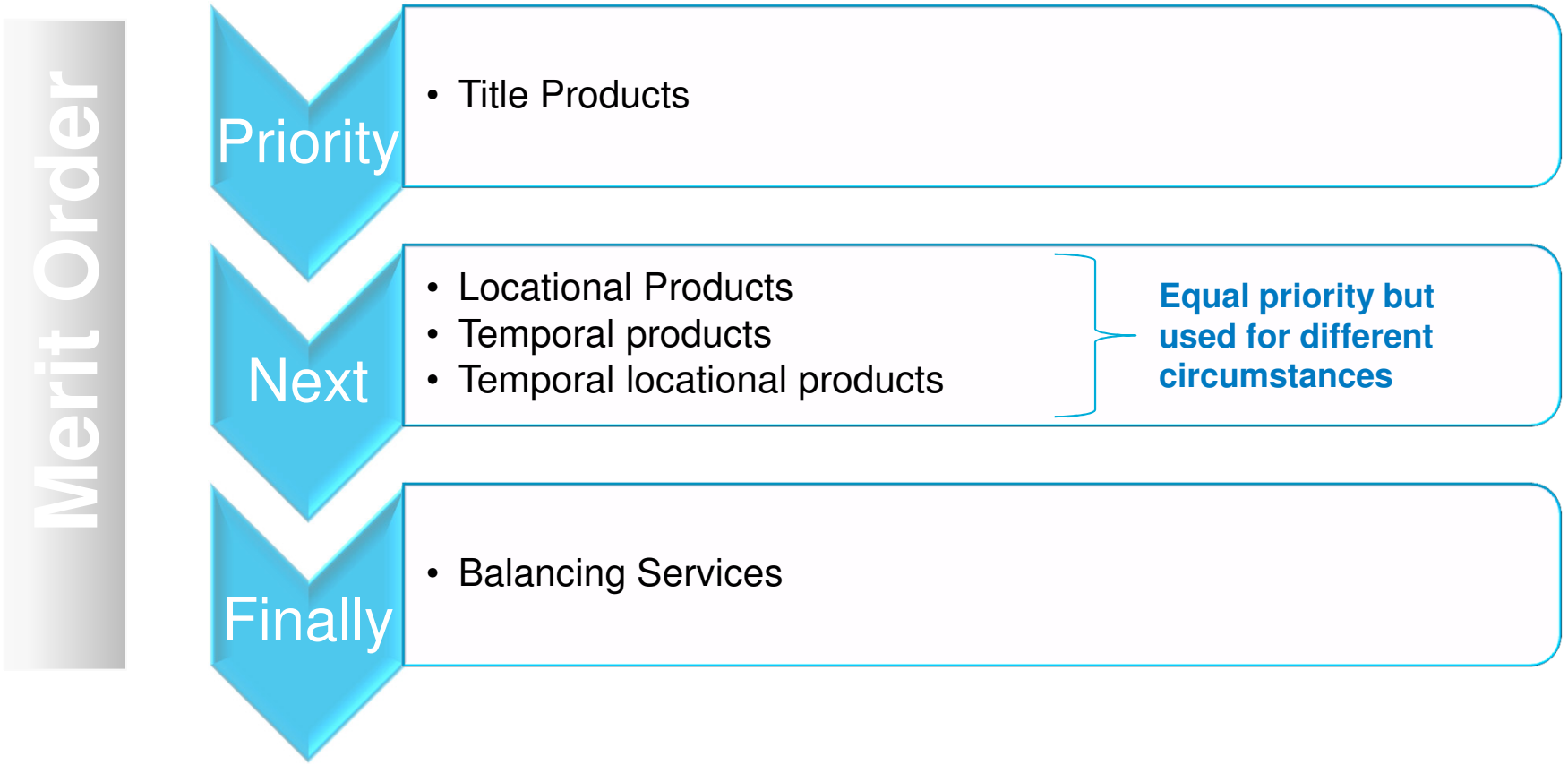
Chapter 4 . Operational Balancing - Short term standardised products

nationalgrid



Chapter 4. Operational Balancing - Merit Order

nationalgrid



nationalgrid

Chapter 5. Nominations

- Nomination procedure applicable at Interconnection Points (IPs) only

1. Nomination Deadline 13:00 day ahead
2. Confirmation Deadline 15:00 day ahead
3. Renomination cycle commences immediately after and ends no earlier than 3 hours before the end of the Gas Day

Note: times shown are UTC and are 1 hour less when daylight saving is applied

nationalgrid

Chapter 6. Daily Imbalance Charges

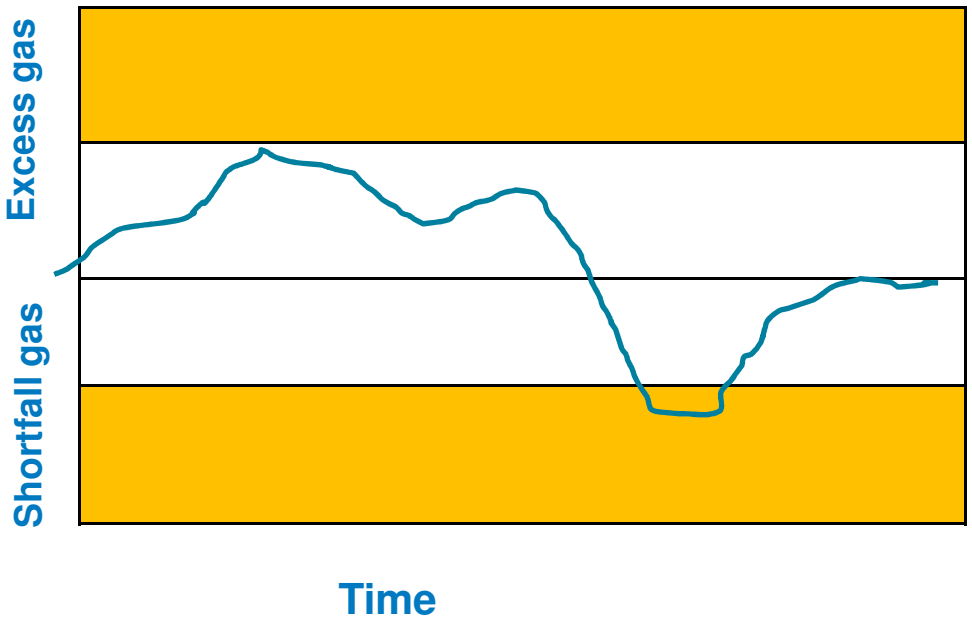
- The TSO shall calculate a daily imbalance quantity for each shipper for each Gas Day

Daily Imbalance Quantity = Inputs – Off-takes

- Where the shipper is short (offtakes exceeded inputs) it shall pay a price for that gas slightly above the average price - **marginal buy price**
  - Highest price of any TSO trades or WAP + small adjustment
- Where the shipper is long (inputs exceeded offtakes) it gets paid a price for that gas slightly below the average price - **marginal sell price**
  - lowest price of any TSO trades or WAP + small adjustment
- The TSOs daily imbalance charge calculation methodology [contains how the above are calculated] will be approved by the NRA and published on a relevant website

nationalgrid

Chapter 7. Within Day Obligations



Within day obligation

- A set of rules imposed by a TSO, regarding shippers inputs and off-takes within the gas day
- Can be used where shippers have to be incentivised to manage their within day position

Within day Charge

- A charge levied or a payment made by a TSO to a shipper as a result of a within day obligation

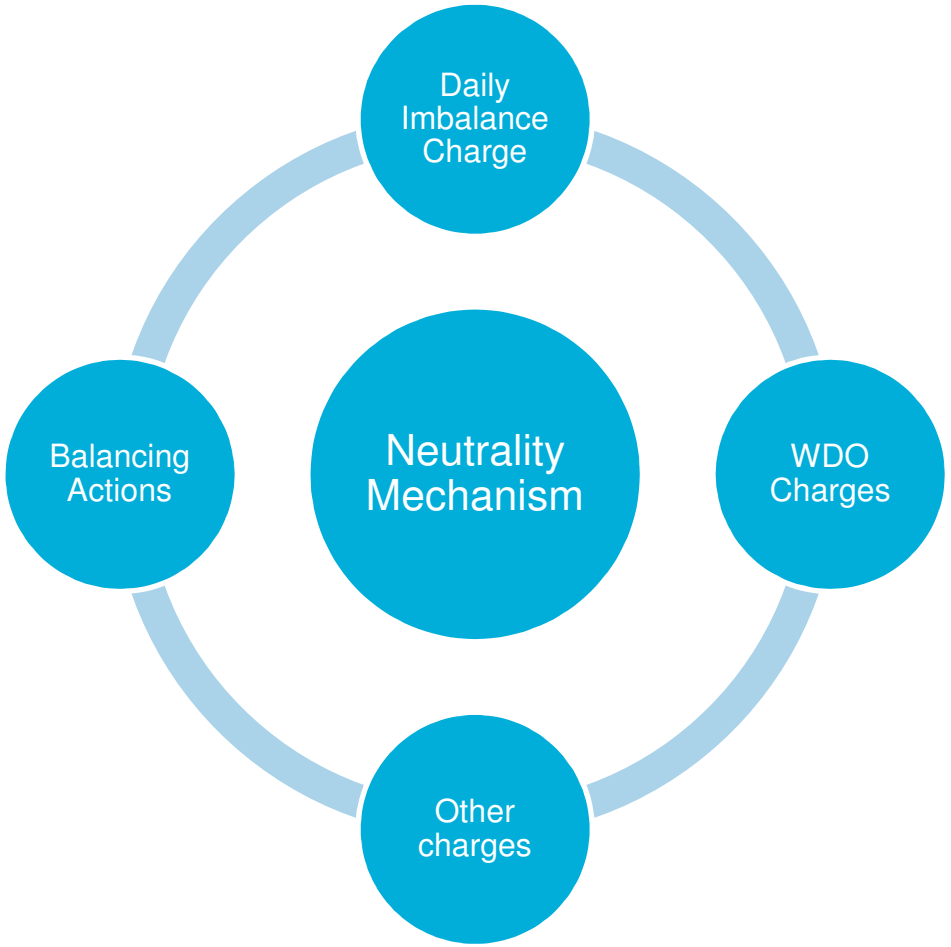
3 types are prescribed and they can be applied to:

- System position
- Shipper portfolio position
- Specific Entry-Exit Points

Chapter 7. Within Day Obligations

Assessment Criteria	
	Not pose undue barrier to cross border trade and new shippers
	Shippers provided with adequate information and have reasonable means to manage exposure
	Main costs for shippers for balancing relate to end of day position
	Within day charges reflect to the extent possible costs of the TSO for taking balancing actions
	Shippers are not financially settled to a position of zero during the gas day
	The benefits of the WDO outweigh the negatives in terms of economic and efficient operation of the network

Chapter 8. Neutrality Arrangement



- There are four main financial streams created in the network Code
- The TSO does not gain or lose from these balancing activities
- Balancing neutrality charges will be paid by or to the shippers concerned
- The Neutrality pot should apportion costs fairly
  - Example: where there is WDOs and balancing actions that can be attributed to end of day or within day separately a dual balancing neutrality mechanism may be considered

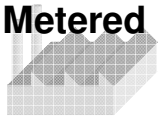
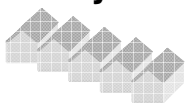
nationalgrid

Chapter 9 - Information Provision

- TSOs are required to provide Information to shippers before and within the gas day to allow them to balance their inputs and offtakes
- 3 classes of information provision exist
  - Intra-day metered
  - Daily metered
  - Non Daily metered
- Each Balancing Zone must apply one of 3 information provision models
  - Base Case – as used in GB, etc.
  - Variant 1 – as used in Holland, etc.
  - Variant 2 – as used in Germany
- Allocation information timing only is prescribed and Reconciliation is out of scope

nationalgrid

Chapter 9. Information Provision – Base Case

	Measurement & Estimates (D-1)	Measurements & Estimates (D)	Allocation D+..
Intra Day Metered 	Reads not provided	Readings Provided • Twice a day per network user • The measured quantity	Measured
Daily Metered 	Reads not provided	No readings available	Measured
Non Daily Metered 	Forecast Provided • End of day value • Forecast based on load profiles and gas demand variables (temp, etc.)	Forecast Provided • End of day value • Forecast based on load profiles and gas demand variables (temp, etc.)	Estimated

End of day measurement

nationalgrid

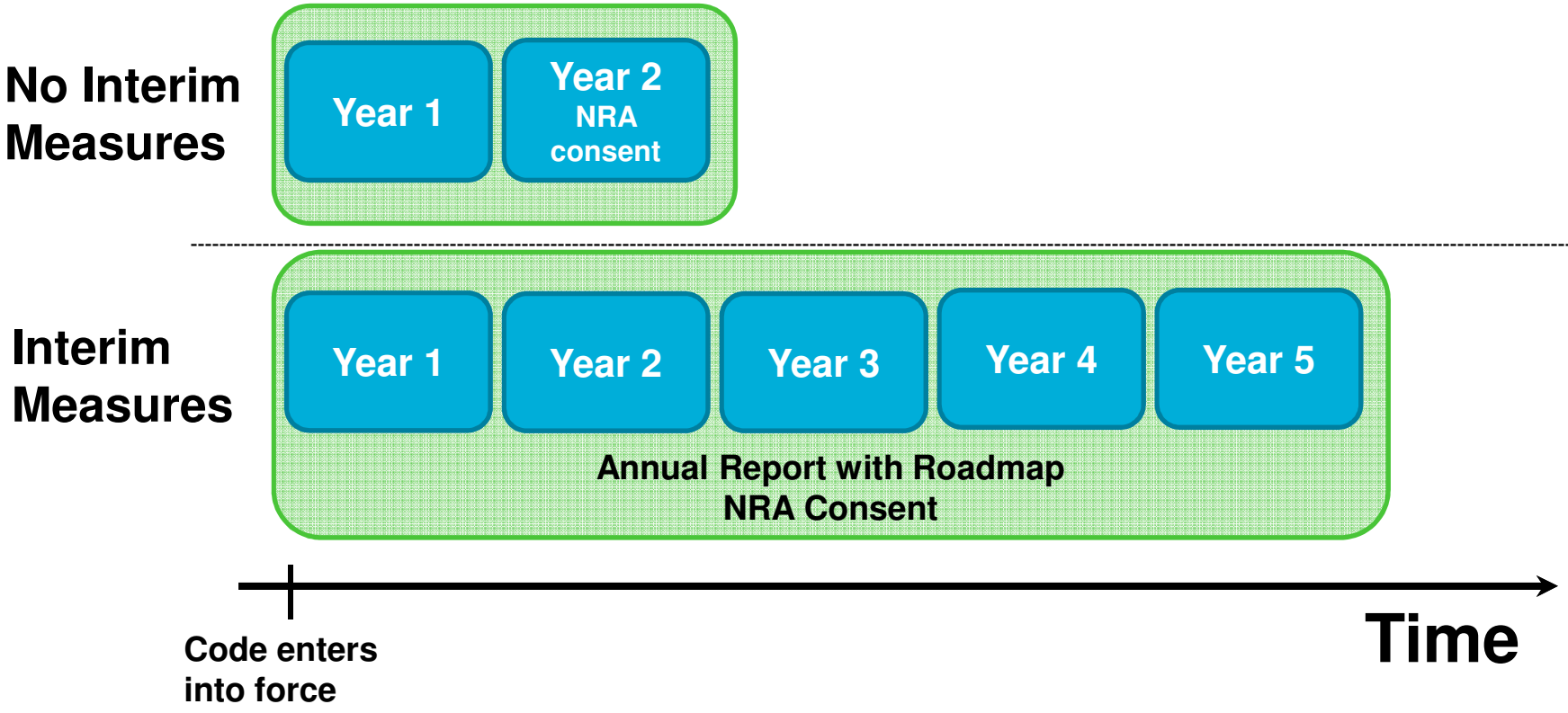
Chapter 10. Linepack Flexibility Service

- **A service provided by a TSO to shippers to balance their inputs and off-takes over a period longer than a gas day**

Provision Criteria	*offered on a transparent and non-discriminatory basis*	✓
	Revenues generated by TSO should at least cover costs	✓
	TSO shall not need to enter into any contracts in order to provide	✓
	TSO cannot charge any costs relating to service for shipper not contracting for it	✓
	TSO shall prioritise the reduction of a WDO over the provision of this service	✓
	Shall not have a detrimental impact on cross border trade	✓

nationalgrid

Chapter 11. Final Provisions - Implementation Timeline



nationalgrid

Future Tx Workgroup updates

- National Grid NTS to provide the following updates:
  - National Grid NTS Impact Assessment
    - Enable stakeholders to understand the impacts to GB Regime – May
  - NG NTS Comitology Position
    - Enable stakeholders to understand our views on any potential changes required to the EU code [if any] – June

nationalgrid

EU CAM Network Code Update and CMP Potential UNC Changes

Transmission Workgroup
4th April 2013

nationalgrid

Capacity Allocation Mechanism- Comitology

- The first Comitology meeting took place Thursday 24th Jan 2013
  - Discussions have continued between Member States on the changes to the current draft version of the CAM Network Code (Regulation)
    - As a result of these discussions National Grid NTS are aware that a number of **potential** drafting changes have been proposed (but not confirmed)
    - The key proposals are summarised in the following slides

nationalgrid

Capacity Allocation Mechanism- Comitology

Article	Proposed Change
2.2 (Scope)	The Network Code will not apply at borders where one Member State holds a derogation from the 3rd Package.
2.3 and 8.8 (new capacity)	A minimum of a 10% quota for new capacity (to be offered in Annual Quarterly auction). (Current proposed quota 20%).
6 (capacity calculation)	Relatively limited changes to scope and operation of the capacity calculation scheme.
12.7 (annual quarterly auctions)	Requirement to publish available capacity in quarterly auction two weeks beforehand (was one week).
19.5 (contracts)	The proposed new article 19.5, which would have required TSO's and NRA's to co-operate in order to align contract terms, has not been included.

nationalgrid

Capacity Allocation Mechanism- Comitology

Article	Proposed Change
20 (Sunset clause)	First paragraph now refers again to ‘reasonable endeavours’ and changes the target to those networks users with gas supply contracts.
21 (Interruptible capacity)	A number of clarifying changes.
26.3 (Tariffs)	Deletion of the word ‘significant’: now reads ‘without incurring detrimental effects on the revenue and cash flow positions of transmission system operators’.
26.5 (Tariffs)	Split of auction premiums – 50% default rule reinstated.
27 (Platforms)	Network Code now leaves open the eventual number of booking platforms. This will be determined via the ENTSOG-led market consultation.

nationalgrid

Capacity Allocation Mechanism- Comitology

- The Second Comitology meeting is to take place 15th April 2013
  - Commission pushing for Comitology completion at this meeting
  - 3 – 4 months transposition into Member States languages etc.
    - This approach may 'indicate' a March 2015 start date for the 1st Long Term CAM Auctions (effective 1st October 2015).

nationalgrid

Congestion Management Procedures – Modification Proposal

- Modification Proposal 0449 has been raised by NTS – 'Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures'
- To meet 1st October 2013 implementation date the following timeline has been proposed (please note all dates are subject to confirmation and due process):
  - Submit to Modification Panel (21st March)
  - Workgroup development – 3 months (April/May/June)
  - Modification Panel (to issue for consultation) – 20th June
  - Industry Consultation close – 16th July
  - Panel recommendation – 15th August
  - Await Ofgem decision
- 1st October implementation date is challenging but possible under existing process

nationalgrid

Congestion Management Procedures – Modification Proposal

- Ofgem has published an open letter entitled - '**Next steps for Great Britain's (GB's) implementation of the first European Union (EU) network code for gas on Congestion Management Procedures (CMPs)**'
- The purpose of this letter is to "outline the next steps for the implementation of the European Network Code for Congestion Management Procedures on National Grid Gas and GB Gas Interconnectors."
- Ofgem have invited responses by 29th April 2013:
  - www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=174&refer=Europe

nationalgrid

Code Status Update

Code	Current Status	Estimated Implementation date
Congestion Management (CMP)	Text was published in the European Official Journal on 28 Aug 2012. Ofgem issued a letter re implementation of Congestion Management Principles in GB on 12 March, industry responses by 12 April. NG raised CMP Mod (UNC 0449) for March Panel for discussion with industry at the March Workgroup.	1st October 2013
Capacity Allocation Mechanism (CAM)	CAM code transposed into draft regulation. First comitology meeting held 24th Jan 2013. Second comitology meeting planned for 15 April 2013.	2015-2016
Gas Balancing	ACER have approved the code 20th March with comitology due to start July 2013.	Feb 2015/Feb 2016 (subject to NRA approval for additional 12 months to implement)
Interoperability	• ENTSOG's public consultation on the Interoperability Code is currently live and will close on 26th April 2013. National Grid NTS encourages the industry to study the proposals and respond to the consultation. • ENTSOG has also launched a cost-benefit assessment for the common data exchange solution which could impact the IT systems of all market participants. • For details of how to participate, please visit http://www.entsog.eu/events/network-code-interoperability-and-data-exchange-rules-data-exchange-workshop	2015
Tariffs	Final FGs expected end of March.	TBC (earliest mid 2016)
Incremental Capacity	CEER blueprint for Incremental Capacity to be discussed at Madrid Forum. CEER expected to hand over to ACER by June 2013.	TBC

nationalgrid

Gas Codes Timeline

Status of Development of European Gas Network Codes

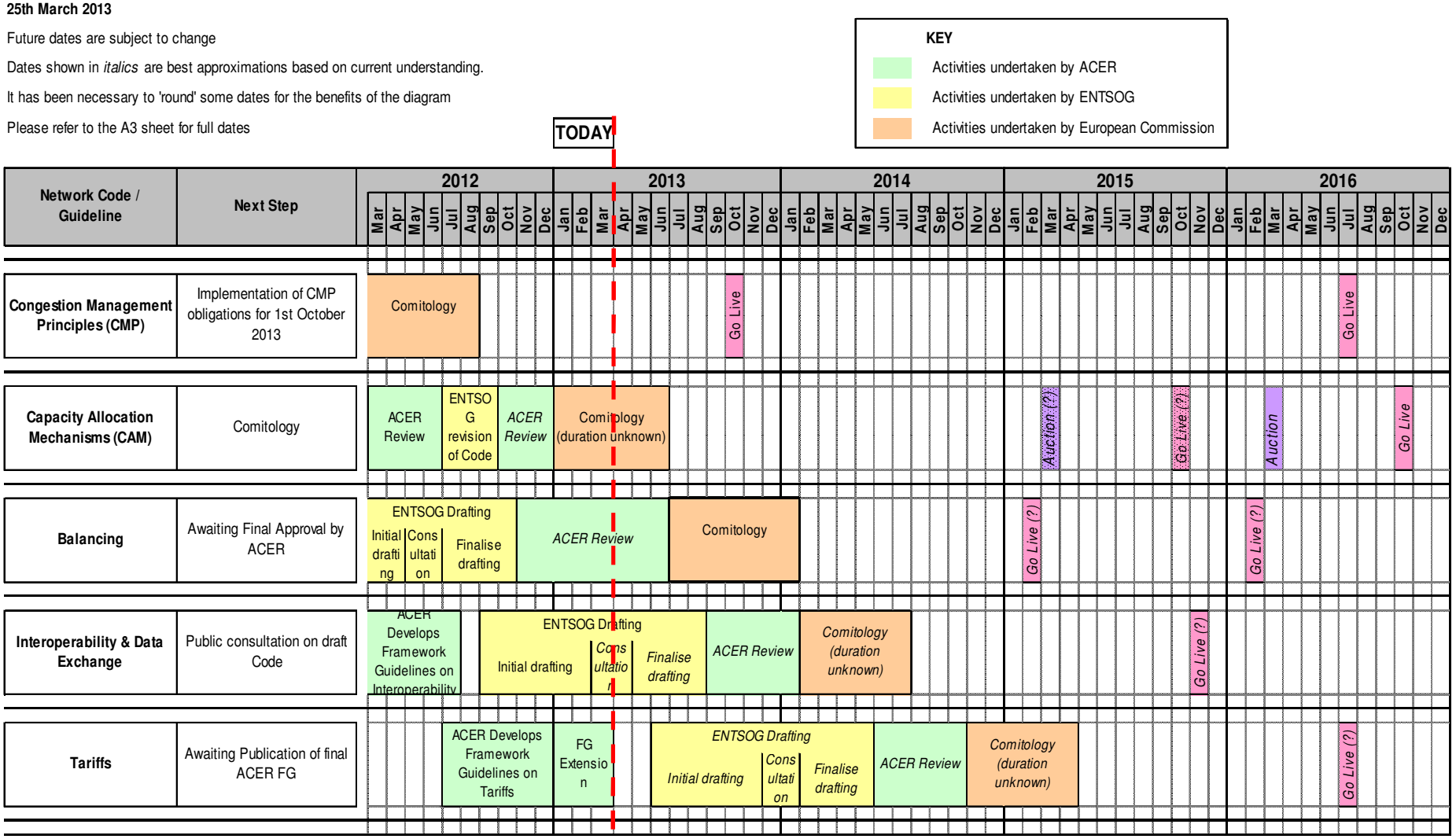
25th March 2013

Future dates are subject to change

Dates shown in *italics* are best approximations based on current understanding.

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

Please refer to the A3 sheet for full dates



nationalgrid

Future EU Updates

- Timetable aims to highlight the key items (consultations, workshops, decisions, etc.) National Grid NTS expect to cover via this agenda item in the forthcoming months

Topic	TX Workgroup
• Balancing Code – NG Impact Assessment	May 2013
• Balancing Code – Comitology position • Interoperability Code – key outcomes of public consultation	June 2013