

Draft Operating Margins Modification Update

Operating Margins Mod Update

- The scope of the Modification has been simplified:
 - Focus required to update the process for reprofiling OM gas to include the ability for NG NTS to purchase/sell gas by other routes
 - Maintain our responsibility to act as an efficient and economic operator
 - Limited number of tenders received and prices below market rate
 - Market savings of approx £30k to £90k per annum
 - Ofgem has been informed and are expecting a Mod
 - Change needs to be in place for April 2017
 - Review of Section K legal text is taking longer than expected and requires further clarification before we bring it to Workgroup
- Self Governance Modification to be raised at December's Mod Panel (15th)

European Update



1 December 2016

1. General Update

Code Status Update

Code	Current Status	Implementation date
CAM amendments	EP/Council Scrutiny UNC MOD 598 raised	1 April 2017
Incremental Capacity	EP/Council Scrutiny UNC MOD 597 raised	1 April 2017 Allocation process July 2019
Tariffs (TAR)	EP/Council Scrutiny	Applicable from EIF[April 2017], October 2017, 31 May 2019.
Transparency (TRA)	EP/Council Scrutiny	Applicable from 01 October 2017, First publication May 2018

2. EU Code Updates

EU Tariffs Code Update

EU Tariff Code: Process Steps

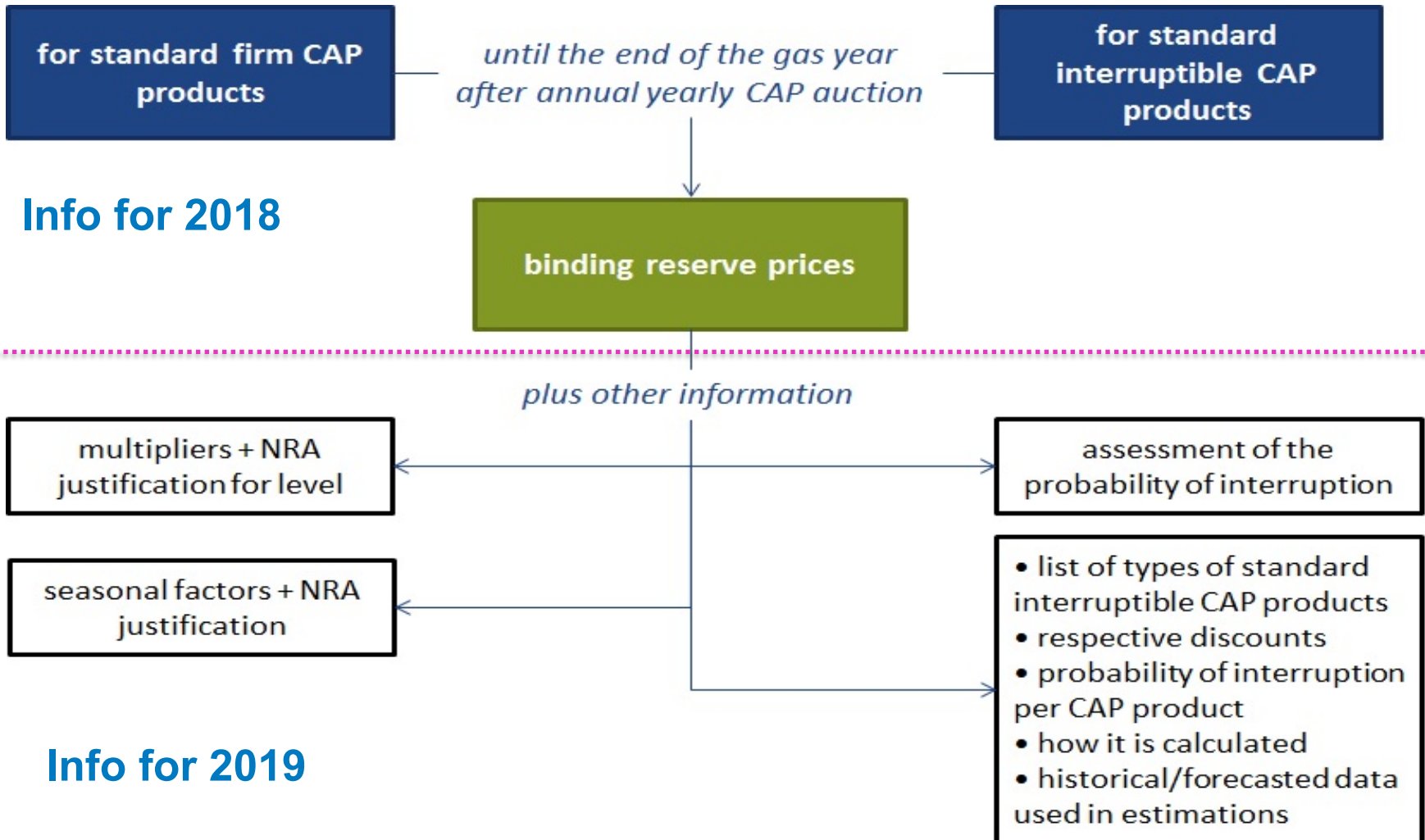
- **Mid-Nov 2016 – mid-Feb 2017:** Council and EU parliamentary scrutiny
- **Early March 2017:** EC - formal adoption and publication of TAR NC (~ 3 week process)
- **Late March 2017:** Entry into Force 20 days after publication
 - This should be after annual auction on 6 March
 - It shall be before allocation of QSEC auction

TAR NC: Transparency Requirements

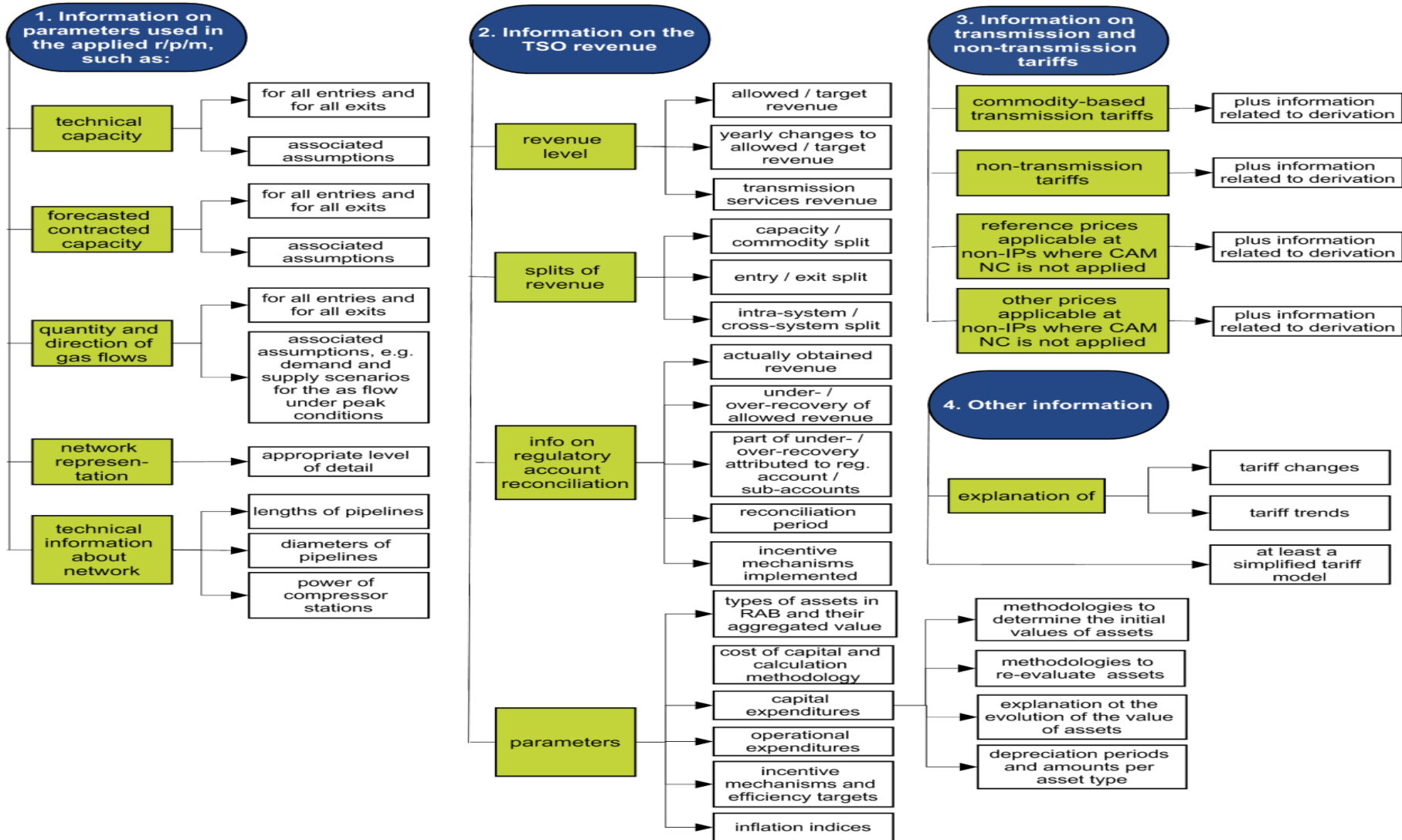
■ Considerations for transitional requirements

- All data must be published on NG's own website but a small subset has to be published on the ENTSOG TP (i.e. reserve prices for all capacity products at IPs)
- Not all data items required to be published will be in place until 2019 so transitional requirements need to be defined
- What and where to publish in 2018?
- First publication requirement is 30 days before July 2018 auction but still have old charging methodology

Information Published Before Annual Auction



Information Published Before Tariff Year



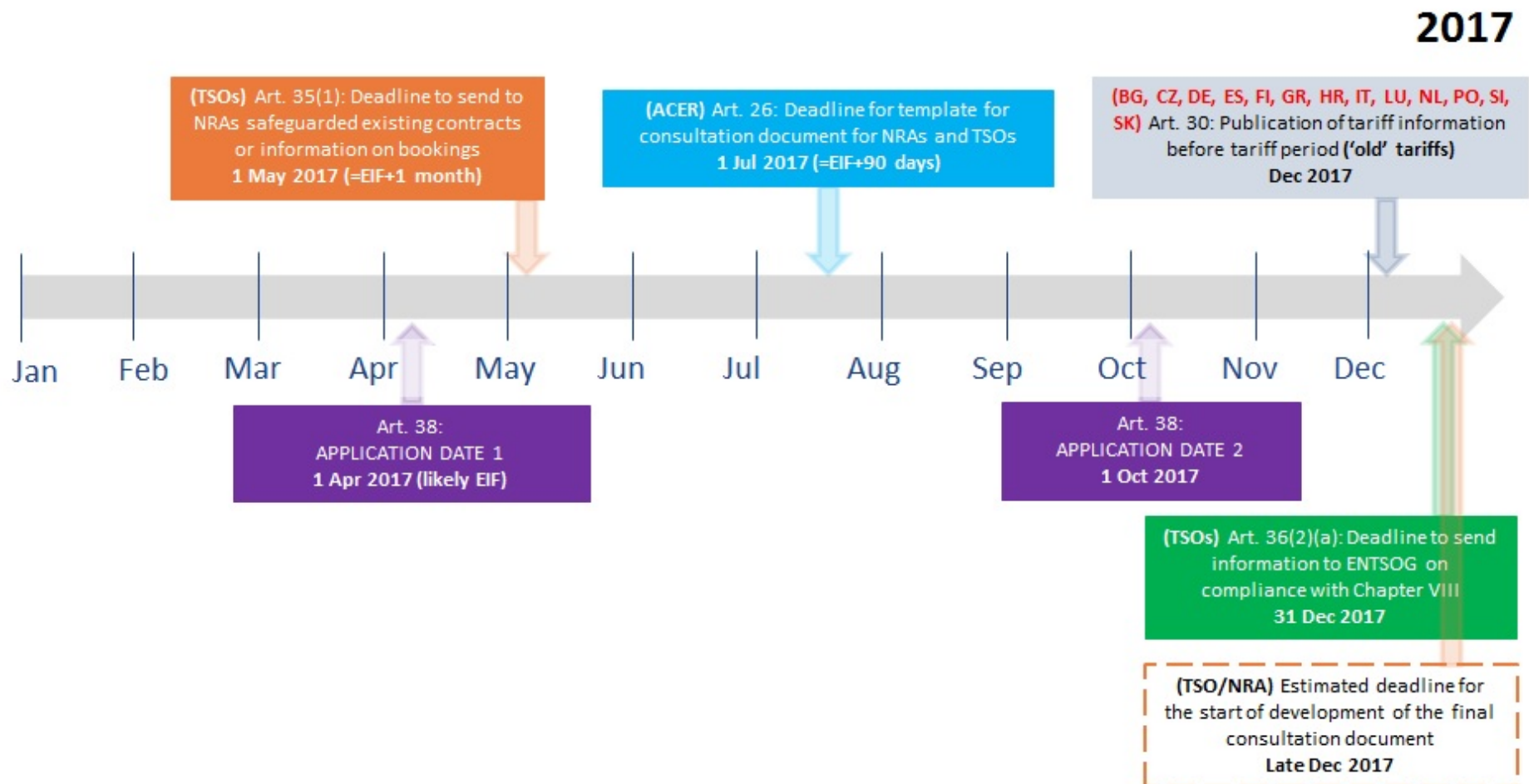
TAR NC: New ENTSOG Transparency TF

- TF shall develop proposals and solutions that ensure any transparency requirements included in the TAR NC are met;
 - Proposal for standardised template for tariff data publication on TSOs/ NRAs web-sites, as required by TAR NC, Article 29 and 30;
 - Proposal for a standardised table for tariff data publication on ENTSOG TP, as required by TAR NC, Article 31;
 - Proposal for template of the consultation document for the purposes of the periodic consultations to support ACER, as required by TAR NC, Article 26;
 - Support of TSOs' implementation of the Transparency requirements of the TAR NC, if needed;
 - Documentation related to the TAR NC transparency requirements implementation,

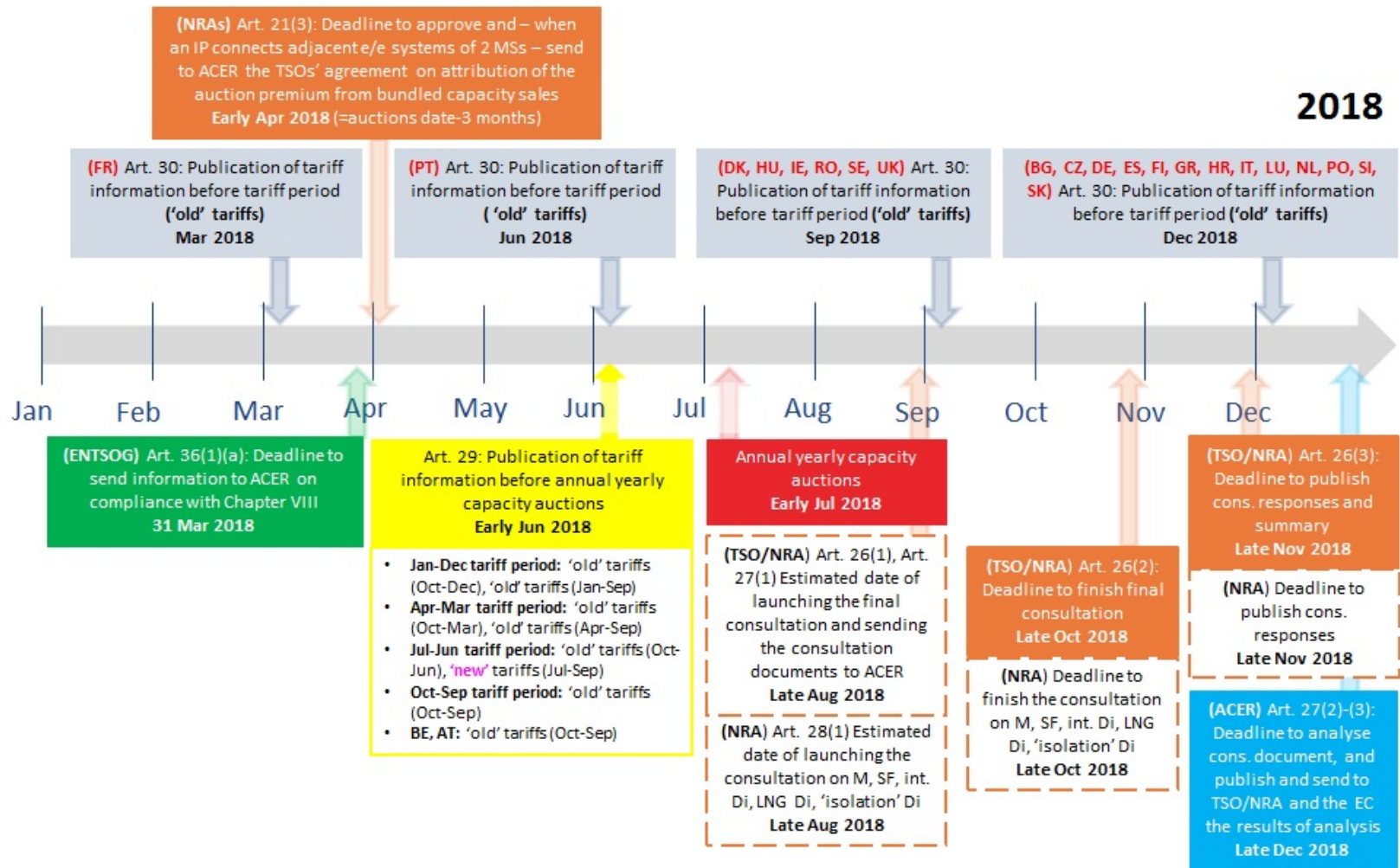
TAR NC: ENTSOG Implementation Support

- ENTSOG producing and Implementation Document on TAR NC in two parts
 - What to implement
 - When to implement
- ENTSOG shall host 2 Implementation Workshops during 2017,
 - to inform stakeholders of the impact of TAR NC and to have TSOs informed of requirements for tariff methodologies.
 - To take place in the wake of Application Dates 1 and 2 of the TAR NC (April and October 2017);

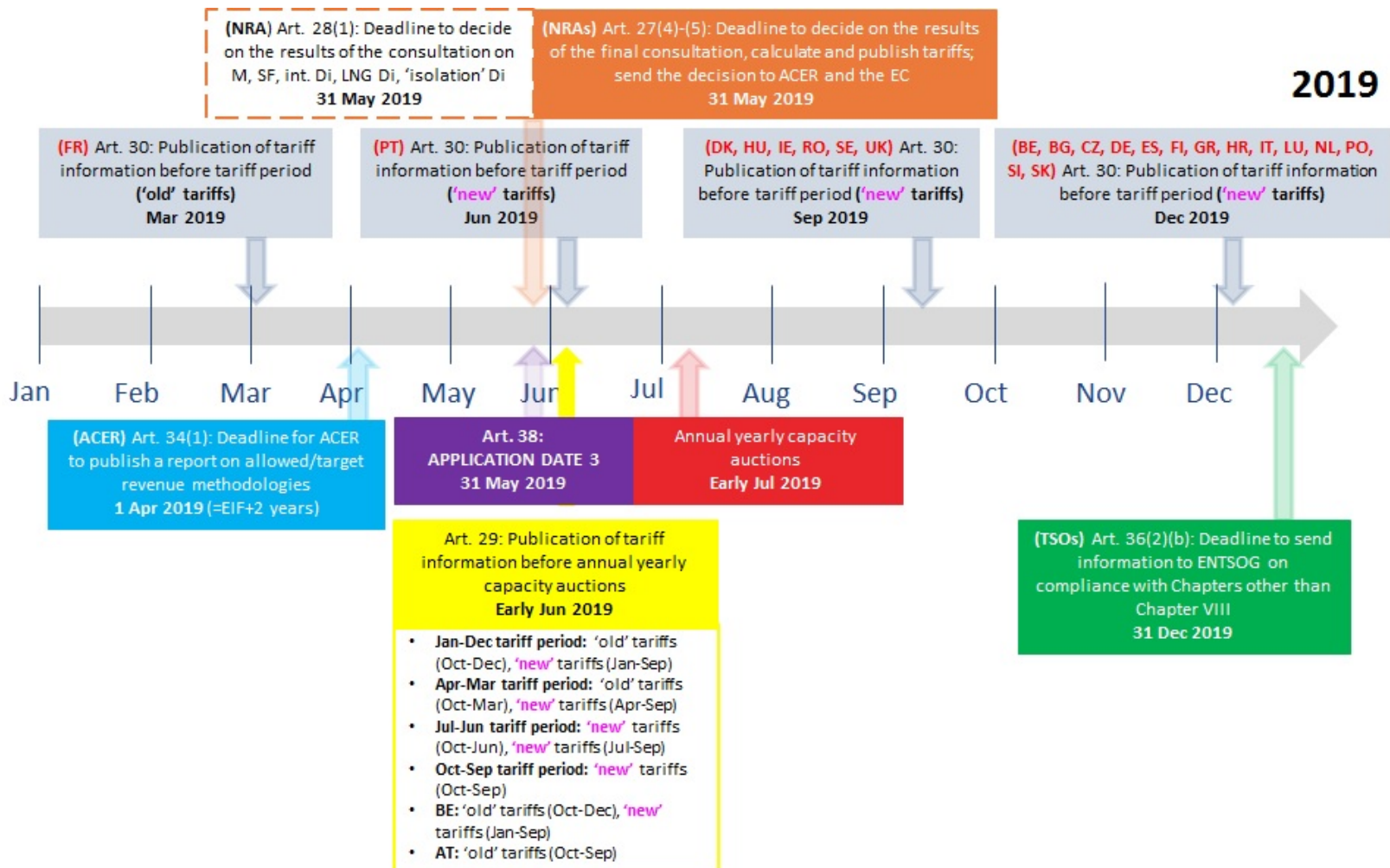
General Timeline for 2017



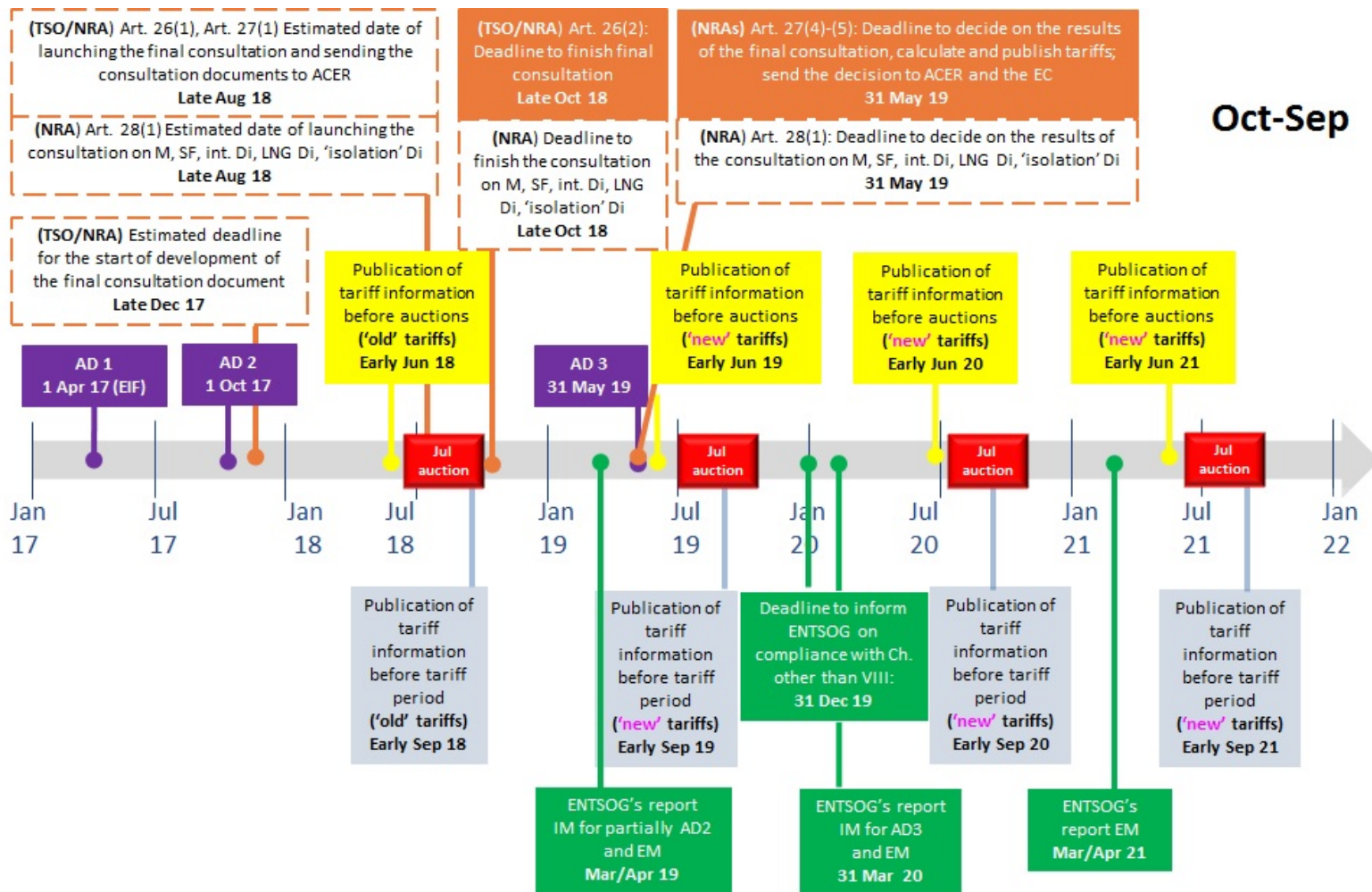
General Timeline for 2018



General Timeline for 2019



General Timeline for Oct-Sep Tariff period



TAR NC: New ENTSOG Best Practices Group

- ENTSOG to set up Best Practices Group to be active during TAR NC implementation period
- **Aims:**
 - Allow TSOs to share current practices and experience
 - To make the implementation of TAR NC provisions a smarter process
 - e.g. for simplified tariff model or cost allocation assessment, shared best practices are likely to help
 - TSOs to share their approach where they are currently compliant or are already implementing

GB Charging Review

- Requirements from TAR NC currently under review
- Sub-group looking at reference price methodology
 - LRMC and CWD being reviewed - including options, methods of assessment and sensitivities
- Current assumptions for Charing Review include
 - UNC consultation (without final decision) before EU consultation
 - ACER influence is minimal/relatively quick to accommodate
 - **Target date December 2018 to complete** (align with charges published in 2019)
 - <http://www.gasgovernance.co.uk/ntscmf>

EU CAM Modification Updates 0597, 0598 and 0599

Update: CAM Modifications 0598 and 0599

- **Mod 0599 - Amendments to Capacity Allocations Mechanisms (Interruptible) to comply with EU Capacity Regulations**
 - Agreed that the final CAM text no longer restricts day ahead interruptible capacity release
 - Modification withdrawn
 - National Grid will continue, as currently, to offer day-ahead interruptible capacity
- **Mod 598 - Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations**
 - The final CAM text no longer gives priority to firm capacity at IPs over storage into exit points in emergency situations. As a result, it was agreed that the wording regarding this will be removed from the Modification
 - The Modification will now only contain the auction / calendar changes
 - Annual Yearly Capacity Auction to move from March to July (from 2018)
 - Four Annual Quarterly Capacity Auctions to be held during each capacity year (1st Quarterly Auction August 2017)

Update: CAM Modification 0597

- **Mod 597 - Rules for the release of incremental capacity at Interconnection Points**
 - Good progress made reviewing Modification Business Rules
 - Preference for PARCA based allocation approach at IPs rather than auctions
 - Process to be aligned to PARCA where possible within the Modification
 - A number of follow up actions taken by National Grid including providing an example of how CAM proposals align to PARCA binding aspects and other annual NTS capacity processes etc.

- **15th November WG papers can be found at :**
 - <http://www.gasgovernance.co.uk/0597/151116>
 - <http://www.gasgovernance.co.uk/0598/151116>
 - <http://www.gasgovernance.co.uk/0599/151116>

EU Gas Programme – CAM & TAR Code Changes

EU Gas Programme – CAM & TAR Code Changes

■ Project Description

- The programme is currently analysing the obligations and impacts introduced by:

- The CAM (Capacity Allocation Mechanism) EU Network Code amendments
- The TAR (Tariff) EU Network Code
- The level of system change required to Gemini and Prisma is currently being analysed
- Modifications under consultation: 597, 598 (available on Joint Office website)

■ Change Driver: EU legislation

- Implementation Dates: Q2/3 2017 (TBC) plus further changes anticipated in 2018 and 2019

EU Gas Programme – CAM & TAR Code Changes

- Operational Impacts to Industry:
 - The programme is currently analysing the impact of EU obligations on the industry
 - Changes could include Capacity Auctions, Capacity Tariffs and Data Transparency provision
- Engagement Approach for Operational Elements:
 - Gas Ops Forum – January 2017
 - Transmission Workgroup
 - Email communications and website updates
- Contact Details
 - Please email: Box.GasOps.BusinessC@nationalgrid.com
 - NG EU Website: www.nationalgrid.com/EUGasChange

EU Gas Quality Update

CEN Standard

Feedback from 3rd ENTSOG Gas Quality Workshop

- ENTSOG held the third of three stakeholder workshops on 16th November 2016
- EC confirmed that it does not propose to make the CEN standard legally binding at this stage due to limited stakeholder support and lack of identified benefits
 - Supports further work on the topic as supply sources are changing
 - Focus for now should be on implementation of the current EU Gas Network Codes

CEN Standard

Feedback from 3rd ENTSOG Gas Quality Workshop

- ENTSOG presented the results of its second consultation
 - 68 responses
 - 39 preferred 'voluntary adoption'
 - 21 preferred 'whole chain'
 - 3 preferred 'IPs only'
 - Good mix of replies from across the gas chain
 - All UK responses preferred 'voluntary adoption'
 - More detail can be found at <http://entsog.eu/events/3rd-workshop-on-interopability-network-code-regarding-gas-quality#downloads>
- ENTSOG confirmed that its final report on the process will propose no amendment to the Code

CEN Standard

Feedback from 3rd ENTSOG Gas Quality Workshop

- ENTSOG's draft conclusions:
 - A 'whole chain' implementation of the standard would have widespread significant negative impacts across segments of the EU gas chain
 - A revision of the values in the standard would not substantially increase its acceptance
 - No evidence of cross-border trade restrictions in normal conditions has been revealed
 - End user uncertainty and potential exposure to undesired quality ranges is common to all examined scenarios
 - The status quo (voluntary adoption) is not 'risk free'

CEN Standard

Feedback from 3rd ENTSOG Gas Quality Workshop

- A brief update was given on CEN's Sector Forum Gas work to harmonise Wobbe Index
 - Pre-normative work is scheduled over 3 years in 3 phases (preparation, assessment, evaluation)
 - 'Pre-normative' phase scheduled to be completed in mid-2019
 - Wobbe Index range and fluctuation is the current focus; other parameters may be considered later in the process

EU Gas Quality Outlook

- Article 18 of the Interoperability Code requires ENTSOG to produce an outlook identifying potential trends and variability of gas quality parameters (at least Wobbe Index and CV)
- ENTSOG's approach has been to model historic gas qualities with its Ten Year Network Development Plan (TYNDP) supply and demand forecasts on a regional basis
- The report will be published in December 2016 and stakeholders will have an opportunity to provide feedback

Future Topics

Future Topics

Topic Area	Provisional Date
Tariffs Code	Monthly updates
Transparency requirements	Monthly updates
CAM Amendment	Monthly updates
Incremental	Monthly updates

Mod 0600S - Amend obligation for the acceptance of EPDQD revisions made after D+5

Slides to be provided Monday 28th November

- National Grid meeting with CVA on Friday 25th November to review and compare EPDQD revisions submitted after D+5
- The outcome of this meeting will be shared at the workgroup
- A more general update on how we are addressing the other queries raised at workgroup will also be provided

AOB



Negative Implied Flow Rate (NIFR)

NTS Connections Charging Update

Overview

NG has conducted a review and enhancement of the current (A2O) Connection Application Fees and Category Structure , the following areas have been captured:-

■ Minor Modifications

- The A2O process covers modification to existing sites but charging categories are based on new connections and are too high in many instances

■ Re-applications

- Increasingly we are seeing customers submit connections re-applications, which can require significantly less time/cost to process, after applications lapse. This is driven by;
 - Failure to gain Electricity Capacity Market Contract
 - Failure to gain financial backing in time

■ Disconnections

- Our aim is to provide our customers with clearly defined disconnection and/or decommissioning services and associated application fees that are cost reflective and reconcilable
- Charging Methodology (UNC Section Y) states that disconnections will follow the principles of A2O

Connection Application Fee's Review (Current A20)

■ A20 Application

- The current A20 application structure was implemented in 2012 under MOD 0373
- Fee's were developed using fully absorbed costs from the Transmission Investment Handbook for Labour Rates 2011/12
- The fees in the current charging statement dated February 2015 are based upon the fully absorbed costs dating back to 2011/12

Category	Current
Complex	£400k
Medium	£121k
Simple	£62k

■ New Category Introduction – Minor Modifications

The minor modification category will cover :-

- Anything over 50 MW per minute will trigger a ramp rate study. (this may include a transient study where appropriate)
- Change in Meter Settings
- Adjusting Regulator Settings

This category does not cover any physical removal or installation of assets.

Re-assessment of a FCO/ Application Offer Pack

- On occasion, National Grid has received re-application requests from customers who have received an FCO, but the offer validity period has lapsed
- In some cases their requirements are unchanged from the original application
- As the UNC allows for a modification to a FCO with a charge of up to 75% of the original application fee, it would be beneficial to our customers to improve our application process by applying the same principles to re-applications
- The introduction of a mechanism, including a pre-determined assessment criteria to allow for re-assessment of lapsed FCO's

Principles Re- Assessment of lapsed FCO/ Application Fee	% Discount Application Fee
<p>Re-assessment requests <12 months from date FCO lapsed National Grid will guarantee % discount Application Fee</p> <p>Subject to meeting the following assessment criteria: -</p> <ul style="list-style-type: none"> • There is no impact for other National Grid projects programmes • No network changes since FCO lapsed • No material changes to customer requirements • Customer programme dates are realistic <p>Any re-assessment requests >12 months from date FCO lapsed customers are required to re – apply and pay the full application fee</p>	<p>Minimum guarantee of 25% discount</p>

Disconnection/Decommissioning Category Definitions

Disconnection (physical)	Decommissioning (complete removal)
<p>Positive Isolation from the NTS and the Customers Facilities</p> <ul style="list-style-type: none"> Physical air-gap between the two assets Gas is unable to flow National Grid maintain site <p>Site moves into a mothballing state</p>	<p>Site returned to original state</p> <ul style="list-style-type: none"> All assets disconnected and removed including the removal of pipeline
<p>Mothballing</p> <ul style="list-style-type: none"> Following disconnection of the assets National Grid will conduct ongoing site maintenance to ensure the site is safe and preserved if in the event the customer wishes to bring the site back 'on stream' As this is a customer driven request costs for maintenance will be agreed with the customer 	<p>Mothballing</p> <ul style="list-style-type: none"> May be required if the assets are disconnected and the customers timeline for decommissioning is significantly later National Grid will conduct ongoing site maintenance to ensure the site is safe As this is a customer driven request costs for maintenance will be agreed with the customer

Proposed Application Fee's

- To ensure consistency across all application fee categories the current fully absorbed resource rates 2016/2017 have been applied to the current A20 application structure and the newly developed application categories

Category	Current	Proposed
Complex	£400k	£449k
Medium	£121k	£151k
Simple	£62k	£73k
Disconnection		£73k
Decommissioning		£157k
Minor Modifications		£52k

Next Steps – Implementation

- 2-months notice period to commence 1st December 2016
- Updated Statement for Gas Transmission Connection Charging effective from the 1st Feb 2017.
- Our next annual review of the Statement for Gas Transmission Connection Charging is scheduled for Oct 2017