

EU Code Implementation Programme

Phase 2 - Areas of Change

December 2013

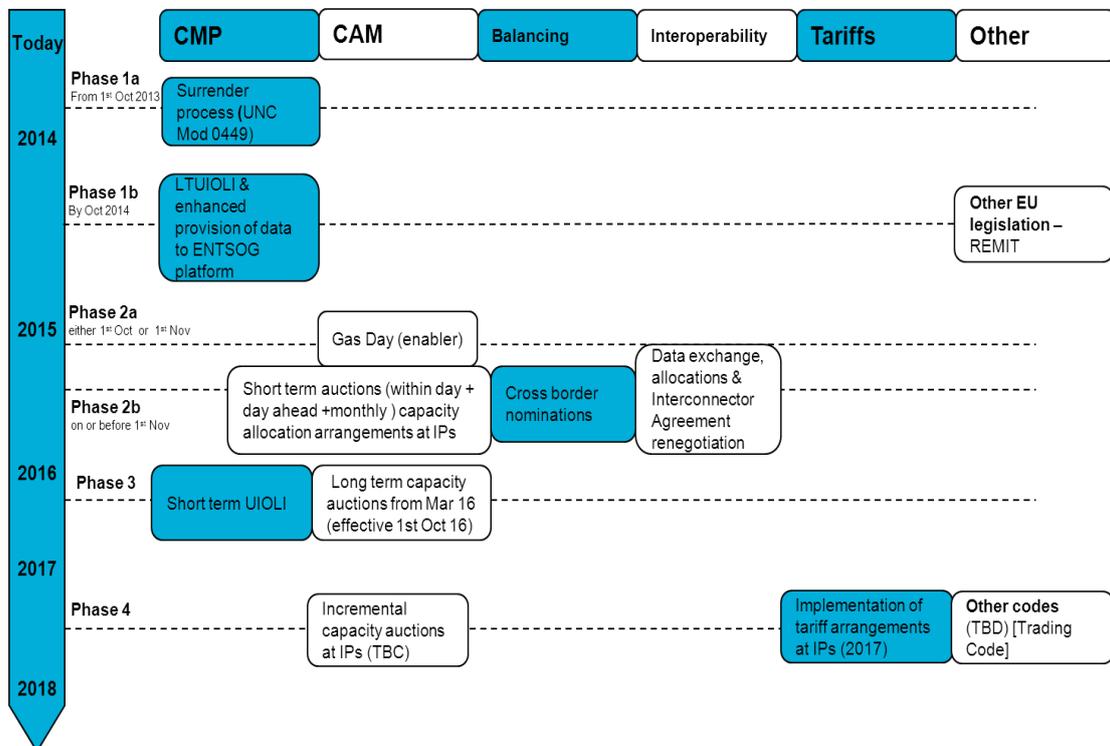
1. Objective of this document

At the Transmission Workgroup in November it was suggested that a 'Quick Reference' document would make it easier for GB market participants to assess if their review and/or participation was required in a particular area of European change. This document aims to provide the industry with the National Grid NTS' view of the key areas of change included in Phase 2 of its EU Code Implementation Programme.

2. Introduction

Each EU code (Congestion Management Principles (CMP), Capacity Allocation Mechanism (CAM), Balancing, Interoperability and Tariffs etc.) contains (or will contain) requirements for translation into the GB regime. It is for the TSOs to develop what the logical grouping of implementation phases should be in order to achieve compliance.

Rather than implement on a code by code basis, National Grid NTS believes that compliance can be best met through implementation phases¹ (see diagram below for details). Each phase will have a particular IS release plan and associated UNC, Licence and process changes.



¹ Long Term capacity auctions may need to be incorporated within Phase 2 as they are required early in 2016, but a final decision is yet to be determined.

The table below provides an overview of the key areas of change within phase 2 of National Grid NTS' proposed EU Code Implementation Programme, together with relevant contact details.

Code	Contacts	Key Area of Change
CAM with CMP integration	Matthew Hatch 01926 655893 matthew.hatch@nationalgrid.com Dennis Rachwal dennis.rachwal@nationalgrid.com 01926 654235	1. Primary Capacity Auction Process at IPs 2. Shipper Transfers (Trades) and Assignment Processes at IPs 3. Interruptible Capacity at IPs 4. Cross border bundling arrangements 5. CMP (integration with CAM)
Balancing	Chris Shanley (chris.shanley@nationalgrid.com 01926 656251) & Phil Lucas (phil.lucas@nationalgrid.com 01926 65 3546) Beverley Viney beverley.viney@nationalgrid.com 01926 653547	1. Nominations Process at IPs 2. Information Provision *Other changes may be required - awaiting response from Ofgem on scope of balancing changes
Interoperability	Phil Hobbins philip.hobbins@nationalgrid.com 01926 653432 Martin Connor martin.connor@nationalgrid.com 01926 653847 Carol Spinks (item 3 IA changes) carol.spinks@nationalgrid.com 01926 656377	1. Nomination matching with adjacent TSOs 2. New gas allocation regime at IPs 3. Interconnection agreement re-negotiations (also encompassing Gas Day change) 4. Data Exchange 5. Gas Quality Information Provision
Gas Day	Hayley Burden hayley.Burden@nationalgrid.com 01926 656972 TBC	UNC Mod 0461 TBC - Contracts, Systems and Gas Measurement

3. Key Areas of Change

This final section of this document provides an overview of each EU Code and more detail about each key area of change highlighted in the table above.

3.1 CAM with CMP integration

Overview of Code	The EU CAM Regulation establishes standardised capacity allocation mechanisms for cross border gas transmission capacity. Measures from the CMP Regulation also feed into the regular allocation mechanism for CAM.
Compliance Date	1 November 2015 for main CAM provisions
Impacts to GB regime	At interconnection points with Belgium, Holland and Ireland CAM replaces current capacity allocation mechanisms and incorporates congestion management procedures compliant with CMP including surrenders and long term use it or lose it (UIOLI) mechanisms. Details of CAM have been provided as they have evolved / changed over a number of years. NG NTS high level impact assessment of CAM was summarised at the Transmission Workgroup in July 2013.

Key area of change	Capacity 1. Primary Capacity Auction Process at IPs
Impact Rating	Major
Overview of change	<ul style="list-style-type: none"> • A common EU auction calendar and Gas Day will be used with standard firm capacity products and auctions for both Entry and Exit. • Products to be offered are Yearly (Y1 to Y15), Quarterly (within Y1), Rolling Monthly, Rolling Daily and Hourly Within Day. Interruptible is mandatory on a Rolling Daily basis (Day ahead). • Auction algorithms for Yearly, Quarterly & Monthly are changed to an Ascending Clock auction, and for Daily & Within Day firm, capacity a Uniform Price auction is to be introduced. • Cross border bundling of unsold capacity has to be given priority. Unbundled capacity (year ahead) is to be offered where on the other side of the IP the capacity has previously been booked (i.e. it is not available to be bundled). • Capacity released in long term auctions has a % set aside for short term auctions for both entry & exit capacity. • A Joint Booking Platform is foreseen. • A single bundled nomination process is required for the Bundled capacity (whilst unbundled capacity remains as a separate nomination to TSOs) – see Balancing section for details.
Status	Pre-modification stage
UNC Modification Required	Yes
Key Issues/Assumptions	<ul style="list-style-type: none"> • PRISMA is the Joint Booking Platform for GB and it will be used in conjunction with Gemini / UK Link. • EU regulations on Tariffs and Incremental Capacity will not be in place in 2015/2016. • Cross border capacity bundling arrangements need to be agreed in an appropriate timeframe. Non prescriptive elements / consequences of the Regulations will need to be agreed between adjacent TSOs/NRAs and Stakeholders (as appropriate).
System Impacts	Yes – NG and Shippers
Industry consultation specified in code	Yes <ul style="list-style-type: none"> – ENTSOG consultation on Joint Booking Platform – Long term set aside capacity – Capacity release arrangements

Licence or Methodology change required	Yes <ul style="list-style-type: none"> - capacity methodologies - charging methodology (within UNC) - Licence change to be defined (likely for cross border bundling)
Next Steps	Seek compatibility with adjoining TSOs, and others if cross border bundling resolution dictates the need, incorporating Stakeholder views (as appropriate).

Key area of change	Capacity 2. Shipper Transfers (Trades) and Assignment Processes at IPs
Impact Rating	Intermediate
Overview of change	Capacity allocated as bundled can only be resold as bundled. The Joint Booking Platform will provide facilities for shippers to offer and obtain secondary capacity.
Status	Pre-modification stage
UNC Modification Required	Yes
Key Issues/Assumptions	The Capacity Trading EU code / Regulation has not yet been defined but it may be implemented in 2017. Shipper capacity transfer proposals will need to indicate whether capacity is bundled or not and both / all TSOs in the bundle must support and approve the transfer.
System Impacts	Yes – NG and Shippers
Industry consultation specified in code	No
Licence or Methodology change required	Yes - some changes to capacity methodologies may be needed.
Next Steps	Seek compatibility with adjoining TSOs, (and others if cross border bundling resolution dictates the need), incorporating Stakeholder views (as appropriate).

Key area of change	Capacity 3. Interruptible Capacity at IPs
Impact Rating	Intermediate
Overview of change	<ul style="list-style-type: none"> • Interruptible capacity auctions must be conducted in accordance with the design principles as for Firm capacity defined under CAM. • Interruptible capacity can only be released where all Firm capacity has been sold out. • It is mandatory to have a rolling daily interruptible capacity product (day ahead), but optional to have a longer or within day product. Within day interruptible capacity can only be allocated by an “over-nomination” process rather than auction. • The interruption sequence is to be based on contractual timestamp.
Status	Pre-modification stage
UNC Modification Required	Yes
Key Issues/Assumptions	<ul style="list-style-type: none"> • The Interruptible capacity release quantity is not prescribed. • Interruptible capacity remains unbundled. • Maintain current day ahead interruptible product (Impact could become Major if products are extended). • Interruption process continues via the scaling off mechanism as in current UNC.
System Impacts	Yes – NG and shipper
Industry consultation	No

specified in code	
Licence or Methodology change required	Yes - some changes to capacity methodologies may be needed.
Next Steps	Seek early decision to continue with rolling daily (day ahead) interruptible product. Seek compatibility with adjoining TSOs, incorporating Stakeholder views (as appropriate).

Key area of change	Capacity 4. Cross border bundling arrangements
Impact Rating	Major
Overview of change	Priority has to be given to offering bundles of NTS Entry / Exit capacity with the adjacent TSO.
Status	Bacton: Ofgem consultation in progress Moffat: Ofgem in discussion with relevant TSOs/NRAs
UNC Modification Required	Dependent on resolutions but likely yes.
Key Issues/Assumptions	CAM Regulations refer to cross border bundling but are not prescriptive for the prevailing situations at Bacton and Moffat.
System Impacts	Dependent on resolutions but likely yes.
Industry consultation specified in code	No
Licence or Methodology change required	Dependent on resolutions but likely yes.
Next Steps	Ofgem Bacton consultation closes 12th Dec 2013.

Key area of change	Capacity 5. CMP (integration with CAM)
Impact Rating	Major
Overview of change	<ul style="list-style-type: none"> • CMP measures of Surrenders and Long Term UIOLI at IPs will need to be applied to the CAM allocation processes. • A Firm Day Ahead UIOLI Mechanism (Restriction of Renomination Rights) could be required by a National Regulatory Authority (NRA) in consultation with its adjacent NRAs. An evaluation of the success of any Oversubscription & Buy Back scheme should be taken into account before any Firm UIOLI mechanism is introduced.
Status	Pre-modification stage
UNC Modification Required	Yes
Key Issues/Assumptions	<ul style="list-style-type: none"> • Firm Day Ahead UIOLI would have a major impact but it is uncertain whether it will be required from a NG perspective. • Surrenders and Long Term UIOLI need to adhere to the principle that capacity allocated as bundled can only be resold as bundled, but the Regulations are not prescriptive. Shipper surrender offers would be submitted to the Joint Booking Platform.
System Impacts	Yes – NG and shipper
Industry consultation specified in code	No
Licence or Methodology change required	Yes - some changes to capacity methodologies may be needed.
Next Steps	Seek early decision that development of Firm Day Ahead UIOLI is not appropriate at present. Seek compatibility with adjoining TSOs, (and others if cross border bundling resolution dictates the need), incorporating Stakeholder views (as appropriate).

3.2 Balancing

Overview of Code	The EU Gas Balancing Code includes rules on nomination procedures, imbalance charges and operational balancing between Transmission System Operators (TSOs) systems.
Compliance Date	October 2015 (October 2016 subject to NRA approval for a 12 month extension)
Impacts to GB regime	The code is closely aligned with the gas balancing arrangements in Great Britain (GB) but there are still a number of areas that impact on the current GB arrangements. NG NTS Impact assessments have been shared with the Industry via the Transmission Workgroup (May 2012, May 2013 and November 2013).

Key area of change	Balancing 1. Nominations Process at IPs
Impact Rating	Major - the nomination rules proposed are significantly different from those applied in the GB regime and it has been anticipated that a new nomination process for IPs will be required.
Overview of change	<ul style="list-style-type: none"> The balancing code sets out the detailed harmonised rules for nomination and renomination procedures at Interconnection Points (IPs). National Grid has for some time identified that there is an issue as to how the nomination rules at IPs will be implemented given that the rules will also be in the interoperability code, CAM and CMP. The nomination rules developed consider the interactions between the different codes.
Status	Pre Modification Stage - a high level overview of the new nomination process at IPs described by these code rules was recently presented to the Transmission Workgroup in November 2013. Business Rules are also under development.
UNC Modification Required	Yes
Key Issues/Assumptions	<ul style="list-style-type: none"> Over-nomination requests for within-day interruptible capacity will not be offered: [TSO may reject nom if allocated capacity is exceeded and/or may treat over-nom as a request for interruptible capacity]. It is NG's proposal that the GB regime will continue whereby Nominated gas quantities will not be validated by National Grid against any prevailing Entry or Exit Capacity Entitlement except in the case of an Exceptional Event. A User holding both Bundled Capacity and Unbundled Capacity at an IP may submit separate Single Sided Nominations and Double Sided Nominations [CAM/Bal is only concept level – application TBC with adjacent TSOs] <ul style="list-style-type: none"> A 'Single Sided Nomination' is a notice issued by a User to an Initiating Transporter, who forwards this to the Matching TSO A 'Double Sided Nomination' is a notice issued by the User/s either side of an IP to their respective Transporters
System Impacts	Yes – NG and Shippers
Industry consultation specified in code	No
Licence or Methodology change required	No
Next Steps	The Nomination rules are being developed further in conjunction with adjacent TSOs.

Key area of change	Balancing 2. Information Provision
Impact Rating	Minor - National Grid provides information in line with the code proposals (base case) and in some areas we provide information beyond that to assist Network User's in balancing their portfolio. However, there are a small number of areas that impact on the current GB information provision arrangements.
Overview of change	<ul style="list-style-type: none"> • The EU Gas Balancing Code sets out the information to be provided by TSOs to Network Users and the corresponding requirements of the TSO, DSO and Forecasting Party. Two changes are required to the UNC. • NDMA - There is a requirement to publish a forecast D-1 at 12:00, and report on the accuracy of the NDM Forecasts at least every 2 years. • The EU Code requires that no later than the end of the next Gas Day, the TSO shall provide each Network User with an initial Allocation for its Inputs and Off-takes and an initial Daily Imbalance Quantity. A change will be required to E1.6.2 to ensure all the initial allocation information is provided before the end of 1st day after gas day rather than the current 2nd day after gas day.
Status	Pre Modification Stage - a high level overview of the suggested approach to addressing the identified impacts are to be presented to the Transmission Workgroup in December 2013.
UNC Modification required	Yes
Key Issues/Assumptions	The obligation with regards to the NDM forecast accuracy is vague and NG have been working with Xoserve to develop some initial thoughts. This will be a key area of development.
System Impacts	Yes – NG and Shippers
Industry consultation specified in code	No
Licence or Methodology change required	No
Next Steps	Update to be provided to December Transmission Workgroup. Modification to be drafted thereafter.

3.3 Interoperability Code & Data Exchange

Overview of Code	The EU Interoperability and Data Exchange Code obliges TSOs to implement harmonised operational and technical arrangements in order to remove perceived barriers to the transit of gas across networks, and facilitate EU market integration. The code contains rules on Interconnection Agreements, Units, Gas Quality, Odourisation and Data Exchange.
Compliance Date	October 2015 (assumed)
Impacts to GB regime	New nomination matching arrangements are envisaged to support the new nomination rules for IPs introduced by the Balancing Code. 'Allocate as nominate' regime at Interconnection Points is expected to replace the current 'allocate as metered' arrangements. Common Data Exchange solutions have been defined which will require IS changes.

Key area of change	Interoperability 1. Nomination Matching at IPs
Impact Rating	Major
Overview of change	The Code sets out TSO-TSO process requirements for the nominations either side of an IP to be matched. New NG processes and changes to Interconnection Agreements and UNC are envisaged.
Status	Pre Modification Stage
UNC Modification Required	Yes
Key Issues/Assumptions	<ul style="list-style-type: none"> • Future of Bacton and Moffat Agencies
System Impacts	Yes – NG and shippers
Industry consultation specified in code	Yes
Licence or Methodology change required	No
Next Steps	<ul style="list-style-type: none"> • NG option study on use of agents underway • Business rules for matching to be developed

Key area of change	Interoperability 2. 'Allocate as nominate' with OBAs at IPs
Impact Rating	Major
Overview of change	'Allocate as nominate with OBA' is expected which will be a new activity for NG requiring major change to NG processes and also to Interconnection Agreements and UNC
Status	Pre Modification Stage
UNC Modification Required	Yes
Key Issues/Assumptions	<ul style="list-style-type: none"> • OBAs to be introduced at all Interconnection Points • OBA design and interaction with GB regime • Future of Bacton and Moffat Agencies
System Impacts	Yes – NG and shippers
Industry consultation specified in code	Yes
Licence or Methodology change required	No
Next Steps	<ul style="list-style-type: none"> • NG option study on use of agents underway

	<ul style="list-style-type: none"> • Allocations business rules to be developed
--	--

Key area of change	Interoperability 3. Interconnection Agreements Re-negotiation
Impact Rating	Major
Overview of change	The Code requires Interconnection Agreements to contain a minimum content, some of which is missing from current NG agreements with IUK, BBL and Gaslink.
Status	Pre Modification Stage
UNC Modification Required	If changes to Network Entry / Exit Provisions are required, an 'enabling' mod will be required before the TSOs can sign the amended agreement.
Key Issues/Assumptions	<ul style="list-style-type: none"> • Gas Day change will need to be factored into the re-drafting of the agreements • Links to UNC for processes which affect shippers will need to be established (e.g. for matching and allocations)
System Impacts	No
Industry consultation specified in code	Yes, if certain elements of the agreement are changed.
Licence or Methodology change required	No
Next Steps	<ul style="list-style-type: none"> • NG 'gap analysis' to be completed with adjacent TSOs

Key area of change	Interoperability 4. Data Exchange					
Impact Rating	Major – The 'common solutions' required by the Code apply to both TSO-TSO and TSO-User electronic data exchanges for processes captured under the EU Codes.					
Overview of change	The Code provides a 'toolbox', shown below, from which TSOs must select the most appropriate data exchange solutions:					
		Data content format		Data exchange protocol		
	'Toolbox' item	Network	Structure Format	Content Format	B2B standard	Comm Protocol
	Document based	Internet	XML	Edig@s	AS4	HTTP(S)
	Integrated	Internet	XML	Edig@s	SOAP	HTTP(S)
	Interactive	Internet	None			HTTP(S)
Status	Pre Modification Stage					
UNC Modification Required	Yes (TPD Section U)					
Key Issues/Assumptions	<p>Common data exchange solutions are applicable to the following processes:</p> <ul style="list-style-type: none"> • Capacity booking (under the CAM Code) • Nominations (under the BAL and INT codes) • Allocations (INT code) • Publication of information on common platform to meet transparency requirements <p>Whether GB should look to implement the common solutions based on a longer timeframe.</p>					
System Impacts	Yes – NG and shippers					
Industry consultation specified in code	No					

Licence or Methodology change required	No
Next Steps	Interfaces between the common solutions and Gemini will need to be considered. Evaluation of which 'toolbox' item is most appropriate for what process.

Key area of change	Interoperability 5. Gas Quality Information Provision
Impact Rating	Minor
Overview of change	Interoperability Code obliges TSO consultation at a national level to assess demand for enhanced information provision about gas quality.
Status	Pre Modification Stage
UNC Modification Required	Not envisaged currently
Key Issues/Assumptions	<ul style="list-style-type: none"> • What 'sensitive' end users require • What NG is able to provide
System Impacts	Unlikely
Industry consultation specified in code	Yes
Licence or Methodology change required	No
Next Steps	NG envisages running a consultation some time in 2014.

3.4 Gas Day

Key area of change	Change to the GB gas day from 06:00-06:00 to 05:00-05:00
Impact Rating	MAJOR – Significant change to the time physical and commercial processes are conducted within the GB market impacting on the entire regime.
Overview of change	<ul style="list-style-type: none"> The gas day is required to change to 05:00-05:00 to achieve compliance with the CAM code. This change needs to be implemented no later than 1st November 2015. UNC is proposed to change to achieve compliance with the CAM code.
Status	<ul style="list-style-type: none"> UNC Modification 461 raised in June 2013 Current status workgroup development Workgroup report to be submitted to Panel 19th December 2013 Estimated Ofgem approval April 2014
UNC Modification Required	Yes – Modification 0461
Key Issues/Assumptions	<ul style="list-style-type: none"> Minimum impact approach to change – workgroup has agreed to only move UNC times that will no longer be able to operate at their current timing Definition of a 'Day' and associated definitions will require changing to 05:00 – 05:00 Specific times that define the start/end of the current Day will require moving Gemini outage time will move from 04:00-06:00 to 03:00-05:00 therefore a number of UNC times will be impacted and require moving Specific UNC associated process times will also require moving UNC related documents reviewed and changes required will be progressed through specific document governance route by document owner UNC implementation date proposed as 1st October to achieve compliance and coincide with the start of the gas year
System Impacts	Yes – Gemini and UK Link. Impact assessments conducted and overall impacts are considered low to medium however integration testing is deemed high due to number of connected systems. Other impacts to NTS, DNO and shipper systems that fall outside of UNC modification.
Industry consultation specified in code	No
Licence or Methodology change required	Yes – impacts to Transporter and Shipper licences. (to be progressed by OFGEM)
Next Steps	Modification to be submitted to December Panel for review and then issued to consultation thereafter.