

GAS MARKET OPERATOR FOR NORTHERN IRELAND

INDUSTRY UPDATE

27TH JUNE 2017



Contents

- Introduction to GMO NI
- Business Readiness
- IT System
- Single Code
- Balancing Contracts
- Recap

INTRODUCTION TO GMO NI

Introduction to GMO NI

- Under the respective conveyance licences, the TSOs (PTL, BGTL, WTL and GNI(UK)) will be required to put arrangements in place for Single System Operation (SSO)
- SSO obligations relate to market based activities – not the physical operation of the TSO assets
- SSO obligations are also limited to the Transmission regime – DNOs are not party to the SSO arrangements
- The TSOs will comply with their licence obligations by entering into an unincorporated Contractual Joint Venture (CJV)

Introduction to GMO NI

- The CJV will be known as the Gas Market Operator for Northern Ireland (GMO NI)
- GMO NI is not a legal entity – it will administer the Single Code, IT, billing, shipper queries on behalf of the TSOs and will not enter into any contracts in its own right e.g. balancing gas contracts will continue to be executed by the TSOs
- Key deliverables under the SSO arrangements:
 - Single Team
 - Single Network Code
 - Single IT System
- Target date: 1st October 2017

Overview - Activities of GMO

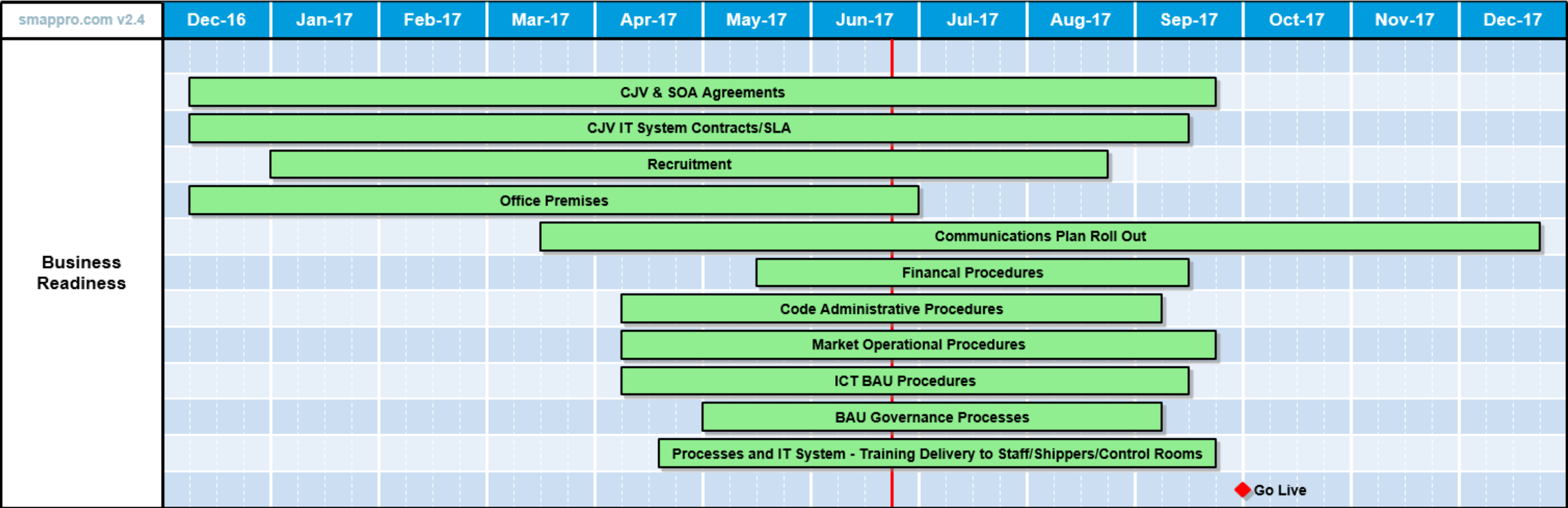
- Primary single Interface for activities relating to NI Commercial (Market) Operation
 - Administration and operation of the Single Code
 - Hosting, support and administration of the Single IT system
 - Commercial related compliance monitoring and implementation (EU)
- New Activities for GMO Staff
 - Postalised System Administration
 - VAT Processing on behalf of both TSOs for Commercial Operation
 - Code Modification Forum Administration
 - 24/7 on call contact
 - Additional IT Functionality – Forecasting Party, Gormanston IP systemisation
 - General Manager will chair any credit committee
 - Governance and Reporting

Overview - Activities remaining with the TSOs

- Physical Operation (24 hr)
- Asset Integrity and Maintenance
- Site specific queries from connected operators/end users
- Physical connection activities (albeit GMO NI will be a primary contact)
- Balancing of the NI Network
- Licence related activities for the TSO
- GMO will funnel any non Market related queries/issues to the appropriate TSO

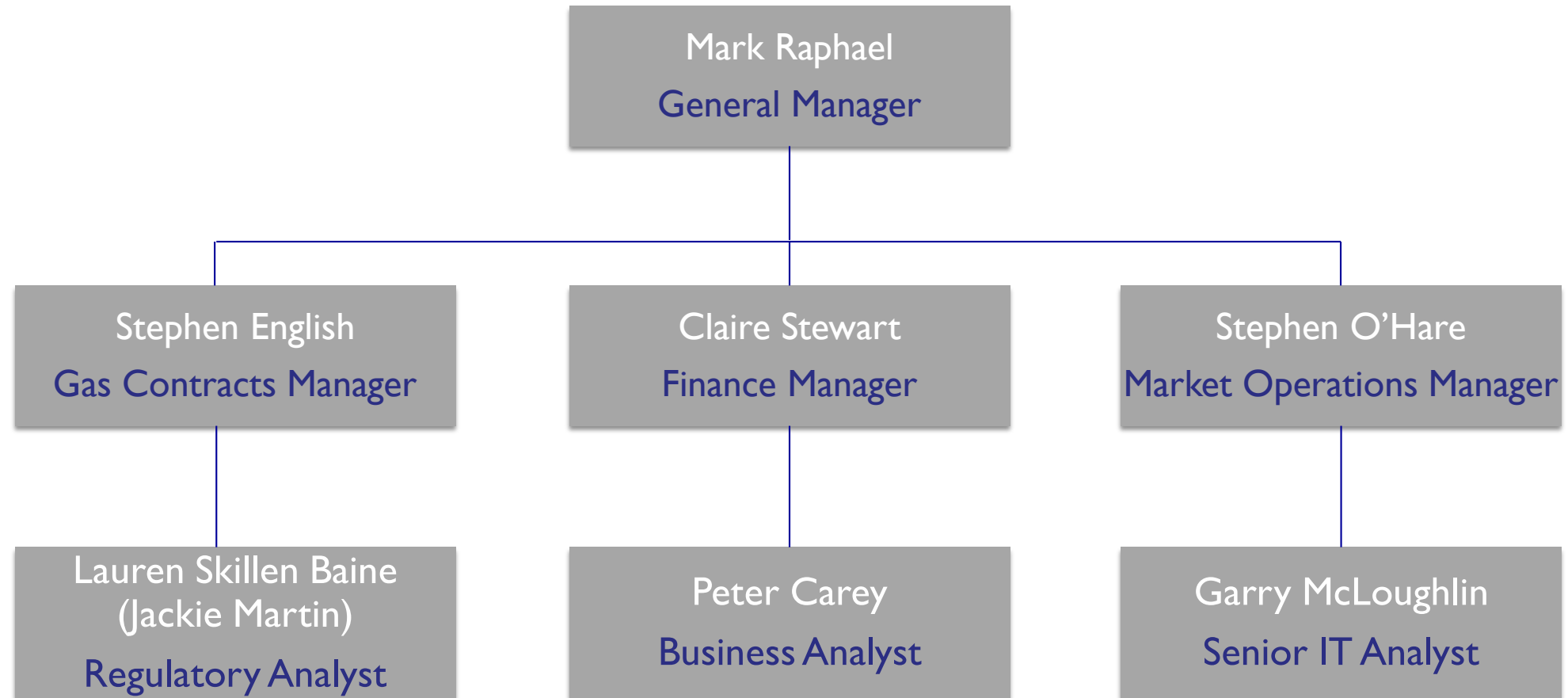
BUSINESS READINESS

Business Readiness



Today

GMO NI Team



GMO NI Office

4th Floor

The Arena Building

85 Ormeau Road

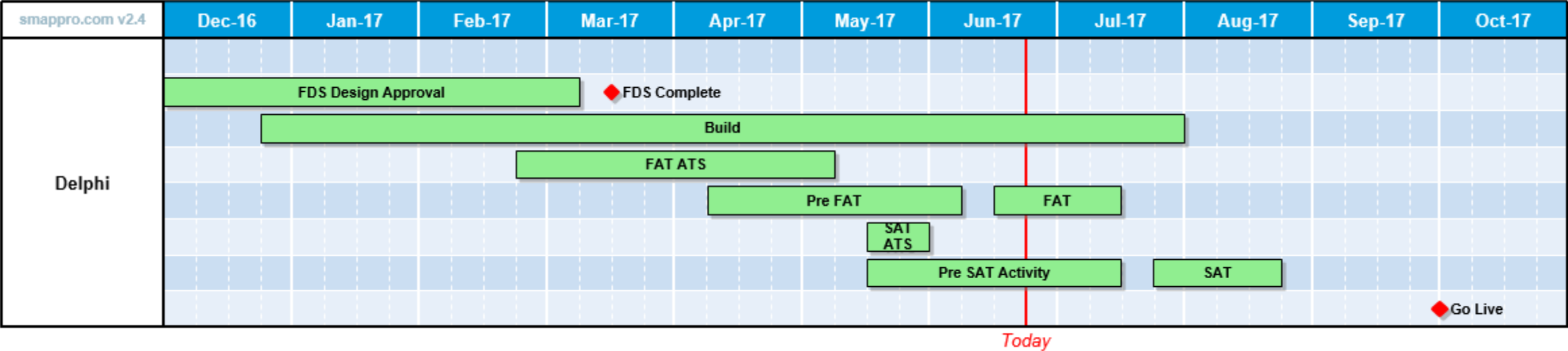
Belfast

BT7 1SH



IT SYSTEM

IT Readiness



Delphi Training

- The SSO IT system will be called “Delphi” and is currently being tested
- Delphi is platformed on the GTMS product currently deployed in ROI and contains the same functionality as the GTMS ROI product (tailored to the NI market)
- Delphi Shipper Training will take the format of ½ day training available in the GMO NI office
- 2 separate sessions will be arranged between 13th – 26th September
- A WebEx link will be available to Shippers so that they can dial into the training sessions
- Training material will be emailed to all shippers prior to attending training
- Video clips will be prepared and shared with Shippers on how to use key functions in Delphi
- Additional one to one sessions can be provided on an as needs basis
- GMO NI will be in contact regarding the rollout of training and installation of SSL certs to gain access to Delphi prior to Go Live
 - Please ensure you have provided the list of Delphi users for your organisation

PRISMA

- Shippers who use PRISMA will not be required to re-register
 - GMO NI will not appear on PRISMA – existing TSO registrations continue to apply
- Shippers still register with and obtain NI IP Entry capacity from the TSOs:
 - Moffat IP: PTL (As part of PTL/NGG bundle)
 - South North IP: GNI(UK) (As part of GNI(UK)/GNI bundle)
- PRISMA will interface with Delphi
- GMO NI will administer the registrations
 - Checking registration requests with Shipper Information Form
- GMO NI will also administer the financial security arrangements on PRISMA

SINGLE CODE

Single Code Introduction

- One of the key aspects of the Single System Operator model is the development of a single gas transmission code across all networks
- There are 4 TSOs who each own and operate separate parts of the gas transmission pipelines and associated infrastructure in Northern Ireland
- Each TSO currently has its own gas transmission code, which forms the contractual basis for gas transmission with its respective customers
- Significant changes to processes were represented in modifications to the Network Codes in October 2015
- The TSOs ensured that the text for the Code Modifications for the implementation of the EU Network Codes in October 2015 was as harmonised as possible

Single Code Introduction continued

- During 2016, the TSOs undertook a detailed comparative review of the existing NI Codes to develop the high level approach to the production of a Single Code
- The PTL, GNI(UK) and WTL Codes are very highly aligned with very few substantive differences
- As a result, much of the approach to preparing the Single Code is simply to bring the existing WTL, PTL and GNI (UK) Code texts together
- The TSOs consulted on the approach to the development of the Single Code during November / December 2016 and the legal text during April / May 2017
- The TSOs expect that the implementation of the Single Code should not, per se, have a significant impact on Shippers in terms of their day to day business processes

Single Code Consultation

- Consultation on the Single Code and the associated documents ended on 22nd May 2017
- The TSOs received 4 responses
- Mainly supportive however sought clarity on a few areas of the Single Code
- Where appropriate, the TSOs have included text to add additional clarity
- TSOs have published a response document containing a summary of the responses

Existing Codes Consultation

- The existing 4 Codes will be replaced by the Single Code
- However, some activities post October 2017 will still be carried out under the terms of the existing Codes i.e. Shippers invoiced in October 2017 for activity in Gas Year 2016/2017
- The TSOs consulted on modifications to the existing Codes to manage the transition
 - Similar approach taken when transitioning to Entry / Exit regime in October 2015
- Consultation concluded on 7th June 2017
- No responses were received, as a result no changes have been made to the proposed text
- UR have approved the Code Modifications and they will come into effect on 5th July

Single Code Key Dependencies

- The key dependencies for the Single Code to go live are:
 - Execution of the SSO Agreement
 - Execution of the System Operator Agreement
 - Approval by UR
 - Execution of the Framework Agreement

SSO Agreement

- In order to comply with the respective licence requirements, the TSOs will enter into the SSO Agreement
 - Referred to as the CJV Agreement in the Single Code
- Key components:
 - GMO NI team will deliver market processes as described in the Single Code (on behalf of the TSOs)
 - Governance arrangements:
 - Governance Committee
 - Appointment of General Manager
 - Appointment of Team
 - Outline of GMO NI Activities such as:
 - Management of the Single Code
 - Billing / PSA role
 - Management of the Delphi IT system
 - 24/7 arrangements for addressing shipper queries
 - Provision and funding of TSO services to the GMO NI business

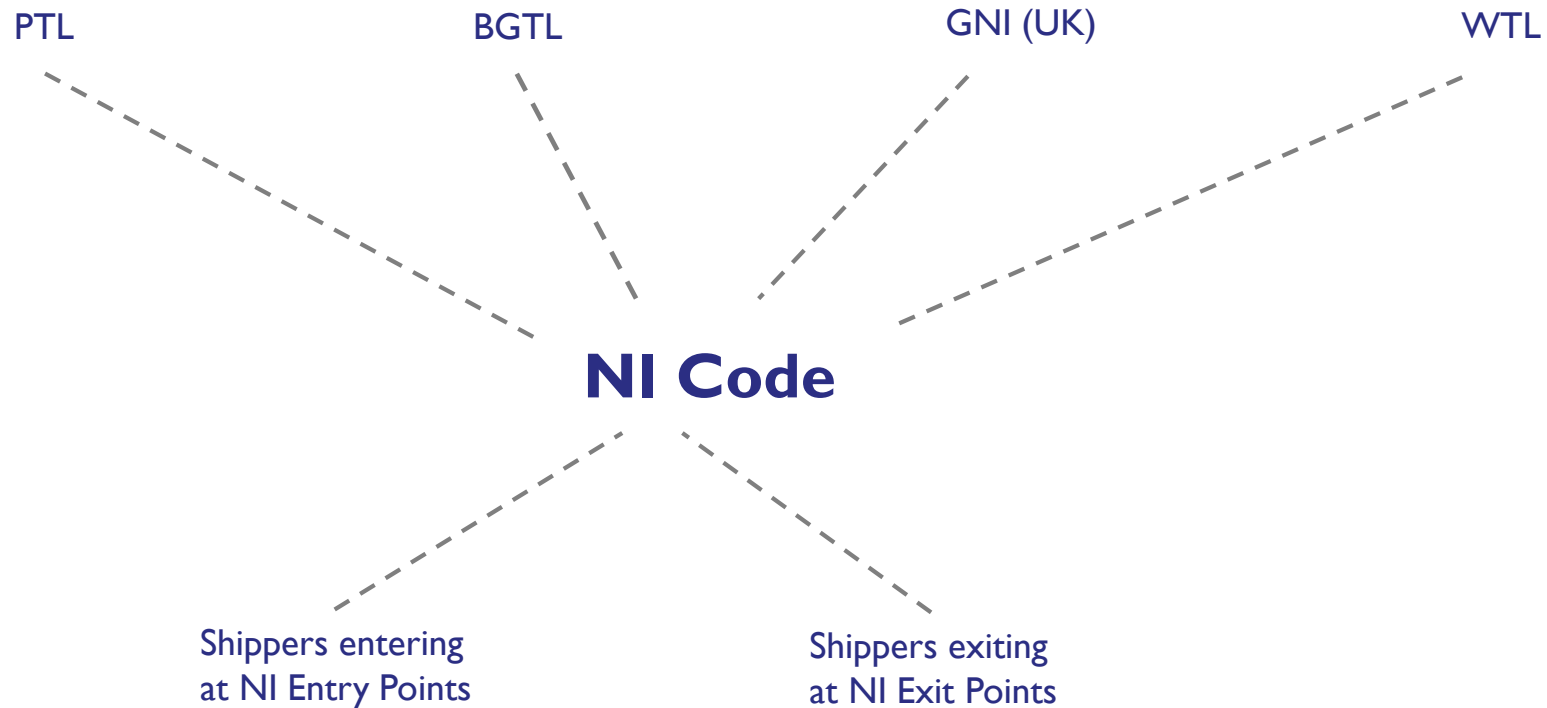
System Operator Agreement

- The TSOs will also enter into a System Operator Agreement which will supersede the existing Northern Ireland Network Operator Agreement (NINOA)
- Key components:
 - Co-Ordination of Control rooms
 - Planning and Co-ordination of Maintenance
 - Co-Ordination of Emergences
 - Network planning
 - Network connections
 - Metering
 - Network balancing arrangements
 - Monitoring of Gas Quality

UR Approval

- The Single Code has to be approved by UR before it becomes effective
- Original target for approval was 21st June 2017
- UR have informed the TSOs they will have to delay formal approval of the NI Network Gas Transmission Code until 5th August 2017 when the SSO licence modifications become effective
- However, in order to facilitate the contractual transition, UR have issued a letter to the TSOs which states that their review of the new Single Code is now complete and no material issues of concern have so far been identified
- UR also note that the relevant licence holders and network users should continue preparations for the commencement of SSO on 1st October 2017

Single Code Contractual Framework



Contractual Implementation - Framework Agreement

- The TSOs are planning to implement the new Single Code by introducing a Framework Agreement
 - Industry had early sight of the Framework Agreement in February and during the consultation in April / May
- All the existing parties who are Shippers under one or more of the existing NI Codes will be asked to sign the Framework Agreement (Original Shippers)
- Each of the TSOs will also sign the Framework Agreement
- The Framework Agreement will simply :
 - Set out that the parties all agree to utilise the terms of the Single Code
 - Provide the legal means for all Shippers and TSOs to agree how to admit new Shippers after the date of signature of the Framework Agreement
 - All the initial signatories of the Framework Agreement give their permission for the GMO NI General Manager to 'sign up' new Shippers

Contractual Implementation - Framework Agreement continued

- Parties who wish to sign up as a Shipper after October 2017 will be asked to sign an Accession Agreement
 - Joining them to the Framework Agreement, and hence:
 - Contractually binding them to the provisions of the Single Code along with all the other parties
- The GMO General Manager will sign Accession Agreements on behalf of all the parties

Changes to the Framework Agreement

- The TSOs have made some small changes to the Framework Agreement
- The reason for the changes is to help simplify the execution process
- The details of all “Original Shippers” have been moved into a Schedule
- This will enable the TSOs to more easily remove the details of any Shipper who does not sign up to the Framework Agreement in accordance with the timeframes
- The “Effective Date” of the Framework Agreement has been amended so it will now be the date that is inserted at the top of the agreement when all parties to it have signed it

Contractual Implementation - Framework Agreement continued

- The TSOs plan to issue the Framework Agreement to all Shippers on 28th June 2017
- The Framework Agreement will be emailed to the Commercial Contact provided in the Shipper Information Form
- The Framework Agreement will be entered into via separate counterparts
- Shippers will be asked to return a signed copy of the full agreement (not just the counterpart) by **11th August 2017**
 - TSOs are keen to ensure credit for GY17 is placed under the Single Code
- The TSOs previously requested that all Shippers have their respective internal arrangements in place for execution
- **Failure to sign up by the 11th August 2017 will require the Shipper to accede using the Accession Agreement**
- **Further delay may result in the Shipper not being able to ship gas come October 2017**

Next Steps – Target Dates

- 28th June 2017: TSOs issue Framework Agreement to Shippers
- 7th August 2017: UR Approval of Single Code / CJV Agreement / System Operator Agreement
- 11th August 2017: Deadline for returning signed Framework Agreements
- 14th August 2017: Code Effective Date
- w/c 14th August 2017: TSOs issue compiled Framework Agreement to Shippers
- 15th August 2017: Credit Effective Date
- 15th September 2017: Shipper's Credit in place
- October 2017: Main operational provisions of Single Code in effect

- The TSOs will advise Shippers if there are any changes to the dates above

BALANCING CONTRACTS

Balancing Contracts

- The TSOs currently use Balancing Contracts with Shippers to assist in the physical balancing of the NI Network
- As required under Interim Measures, the Balancing Contracts cannot exceed a duration of a year
- The TSOs are preparing the Balancing Contracts for the upcoming gas year
- As outlined in the Interim Measures Report Consultation, the TSOs are planning to make changes which should simplify the lots and pricing structures

Balancing Contracts

- Proposed Lots:

Lot	Contract Type	Transaction Type	Transaction Point
Lot 1: Balancing Buy	IA: Non-Locational Balancing Gas Buy	Buy	Trading Point
	IB: Locational (Moffat) Balancing Gas Buy	Buy	Moffat IP
	IC: Locational (Moffat) Balancing Gas Buy for a non-NI Shipper	Buy	Moffat IP
Lot 2: Balancing Sell	2: Non-Locational Balancing Gas Sell	Sell	Trading Point

- The TSOs are planning to issue the Invitation to Tender in July and will update Shippers closer to publication

RECAP

Recap for Shippers

- GMO NI team will be in contact with each Shipper to:
 - Confirm respective shipper contact details for GMO NI team
 - Confirm GMO NI team contact details
 - Confirm proposed shippers users for new IT system
 - Confirm availability for Delphi training
 - Confirm installation of SSL certs to gain access to Delphi prior to Go Live
 - Confirm shipper query management process/out of hours arrangements

Recap for Shippers

- Key Dates: July 2017
 - ITT for balancing gas contracts will be issued
- Key Dates: August 2017
 - Framework Agreement – needs to be executed to become a party to the Single Code – to be completed by 11th August
 - Financial Security Requirements for Gas Year 17/18 calculations will take place
- Key Dates: September 2017
 - Financial Security Requirements are placed by shippers to GMO NI by 15th September
 - Delphi Shipper Training will take the format of ½ day training available in the GMO NI office
 - 2 separate sessions will be arranged between 13th – 26th September

QUESTIONS

If you have queries in relation to GMO NI please contact Mark Raphael:

Email: mark.raaphael@gmo-ni.com

Telephone: 07790819271