

Future Arrangements for the Moffat IP: Consultations on TSO Agreements



28th July 2015
Belfast

Introduction

- The EU Network Codes have created the need for new arrangements for the Moffat IP from 1st October 2015
- New processes and contractual change are required
 - TSO to TSO
 - TSO to Shipper
- ‘TSO to Shipper’ changes have been managed via modifications to our respective industry codes
- Today we aim to provide you with an overview of the proposed ‘TSO to TSO’ contractual changes :
 - Changes to the Interconnection Agreement (IA); and
 - New Tripartite Agreements
- These agreements are open for consultation until 5th August

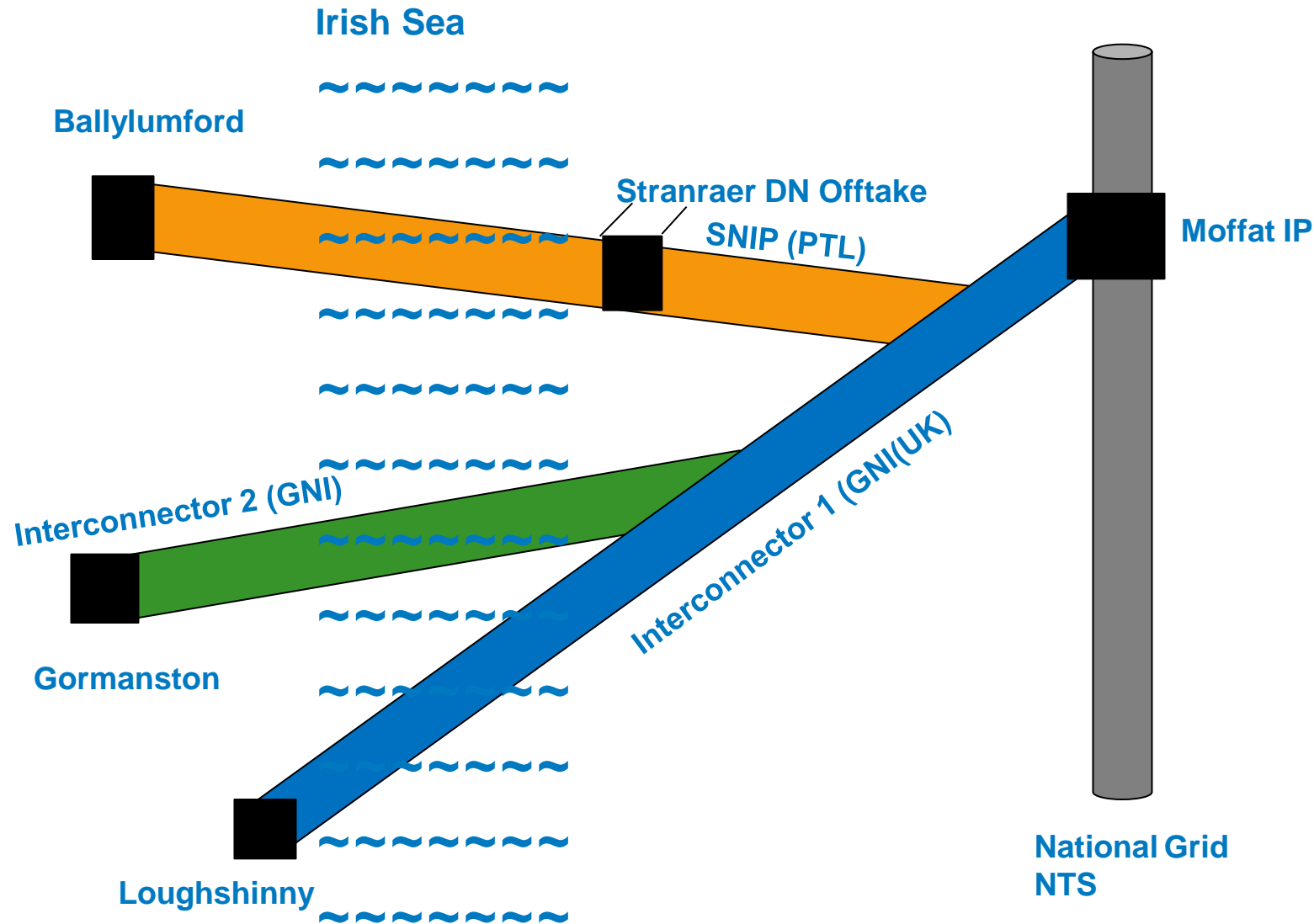
Agenda

- Background
- Consultation Process
- Sections of the agreements on which we are consulting:
 - Capacity
 - Matching
 - Allocation Regime
 - Plus, for the Interconnection Agreement:
 - CSEP Provisions
 - Communications in Exceptional Events
- Q & A
- Lunch

Background



The Moffat IP and Downstream Pipelines



Summary of Current Arrangements at Moffat

- The NTS is physically connected to the interconnector operated by GNI(UK) at Moffat
- GB shippers book NTS exit capacity with NGG
- Capacity is contracted from GNI(UK) to GNI & PTL under transportation agreements
 - Subsequent to these, RoI and NI shippers book capacity with GNI and PTL for delivery of gas to RoI and NI
- The Moffat Agent provides services to shippers:
 - Nominations matching
 - Gas allocations (based on end of day measured quantities)
- Scotia Gas Networks (SGN) arranges with PTL for the provision of gas to the Stranraer DN offtake

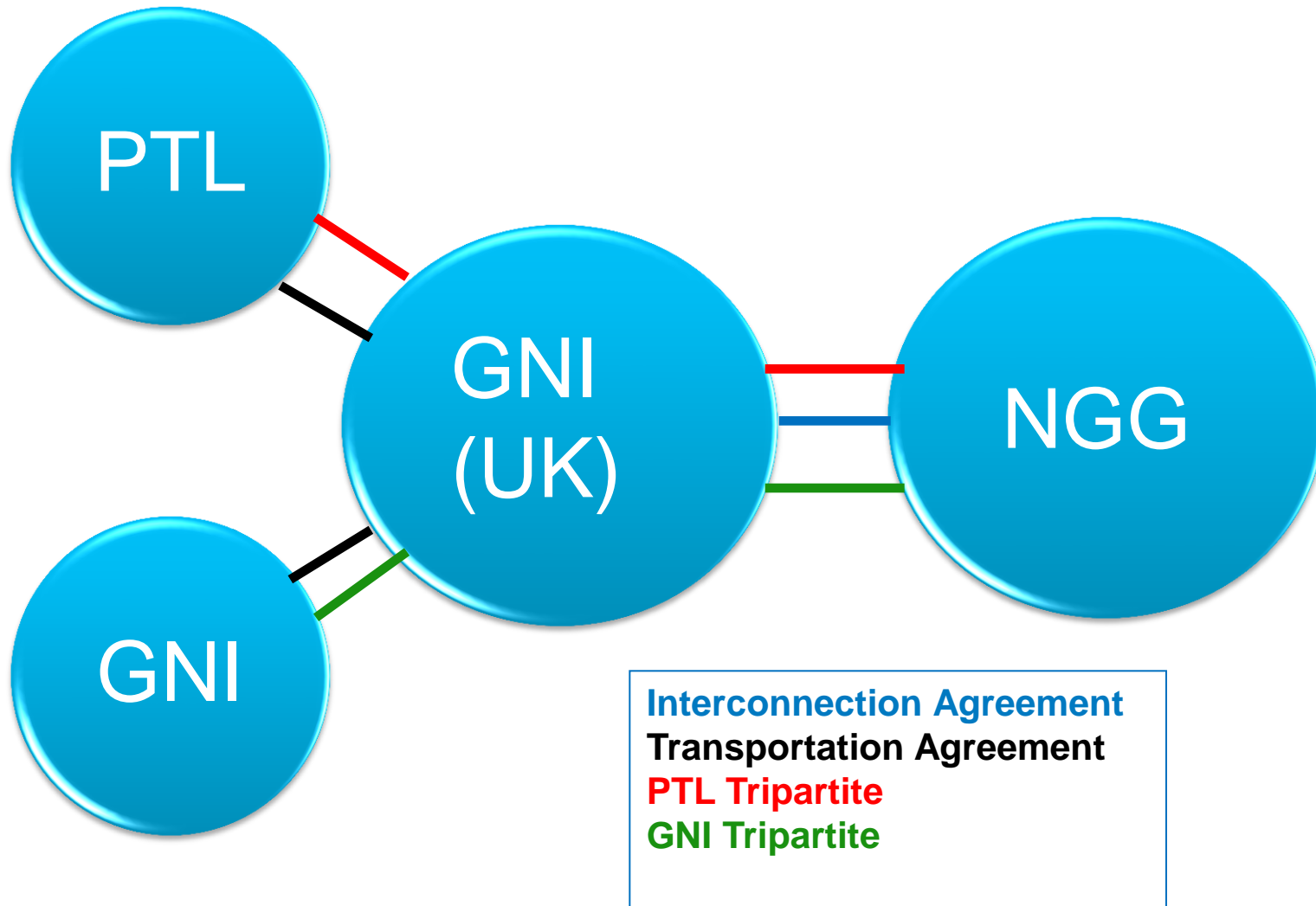
Drivers for Change

- EU CAM, Balancing & Interoperability Network Codes require new arrangements at EU Interconnection Points (IPs)
 - CAM – new auction rules and ‘bundled’ capacity
 - BAL – new nominations regime
 - INT – ‘TSO to TSO’ nominations matching process & new allocation rules

Moffat Implementation Model

- NRAs requested that capacity bundling and nominations matching be facilitated between:
 - GB shippers and RoI shippers
 - GB shippers and NI shippers
- IA changes are needed
 - For INT Code compliance
 - To record new additional arrangements between the parties that are physically connected at Moffat
- Tripartite agreements are also needed to record obligations on the RoI and NI TSOs that have the relationship with shippers
- Moffat agent activities will cease

Contractual Model



Consultation Obligations

- INT Article 4 ‘Information Obligation’ requires TSOs to consult on changes to IAs which affect Users:
 - Matching (Art 8) & Allocation (Art 9) rules
 - Communications in Exceptional Events (Art 10)
- The Tripartites are not IAs but contain provisions that affect shippers; therefore these are also being consulted upon
- For NGG, amendments to an IA that affect shippers would normally be ‘sanctioned’ via a UNC Modification
 - Timescales to deliver these changes do not allow for this
 - UNC Mod 0525 therefore provides for this consultation in substitution on a one-off basis

Consultation Process



IA Consultation Process

Interconnection & Tripartite Agreement Consultation Timeline

	Jul	Aug	Sep	Oct
IA & Tripartite Agreements Consultations issued for comment				
IA & Tripartite Consultation engagement meetings				
NG, GNI (UK), GNI & PTL review consultation responses				
Consultation Reports published				
Submission of IA & Tripartites Agreements for regulatory approval				
Regulatory determination for IA & Tripartite Agreements				
Signature				
IA & Tripartites implemented				

- Consultations published at www2.nationalgrid.com/UK/Industry-information/Europe/Consultations/, <http://www.gaslink.ie/index.jsp?p=301&n=305> and <http://www.mutual-energy.com/publications/consultations/>.
- Please send your comments to box.gas.market.devel@nationalgrid.com, marketdevelopment@gasnetworks.ie and for the PTL tripartite to stephen.english@mutual-energy.com in addition
- Close out for responses to all agreements is 17:00 on 5th August 2015

Capacity



Capacity Arrangements

National Grid NTS current UNC capacity contract arrangements

National Grid NTS
Firm and Off-peak*

National Grid NTS also make
available NTS Interruptible Entry
Capacity* for 'reverse flow'

National Grid NTS CAM capacity contract arrangements

w.e.f Gas Day 1st Nov 2015

(1) Bundled Contracts

(2) Unbundled Contracts

National Grid NTS
Firm

GNI (RoI)

National Grid NTS
Firm

PTL (NI)

National Grid NTS
Firm and Interruptible*

National Grid NTS will also make
available NTS Interruptible Entry
Capacity* for 'reverse flow'

* Day Ahead Interruptible only

Capacity: Tripartite Agreements (TriAs)

- CAM Regulation introduces significant changes to the way in which TSOs offer and shippers get allocated capacity at all EU IPs
- Changes in particular are contained within the TriA
 - NGG-GNI(UK)-GNI & NGG-GNI(UK)-PTL TriAs are compatible with CAM
 - References to Capacity aspects (where relevant) in NGG – GNI(UK) IA
- Introduces:
 - Definition of ‘Linked Transporters’
 - Use of Capacity Platform - Prisma
 - Auctions for durations of Annual / Quarter / Monthly / DA & WD
 - Amount of capacity for sale, prices / price steps
 - Bundled & Unbundled Capacity
 - Linked Auctions – subject to NGG availability at Moffat

Capacity: Tripartite Agreements

■ Introduce:

- Voluntary Bundling of Unbundled capacity
- Surrender of Bundled capacity
- Trading (Transfer) of Bundled capacity
- Shipper Termination (where Bundled capacity held)

- Co-ordination of Interruption
 - Min lead time
 - Notice of interruption

- Capacity optimization

Nominations Matching



Nominations Matching: IA Provisions

- The IA records that
 - National Grid NTS is the Initiating TSO; and
 - GNI(UK) is the Matching TSO
 - GNI(UK) shall communicate nomination data to GNI and PTL
- The IA 'points' to the Tripartite Agreements for more detail
 - GNI and PTL's roles in the matching processes
 - Matching rule if nominations are not aligned

Current and New Regime: Gas Flow Day 1st October 2015

Current Arrangements at IPs	New Arrangements at IPs
One type of Nomination / Re-nomination	'Single Sided (SSN)' and 'Double Sided (DSN)' Nominations / Re-nominations
No details of User's counterparty at IP required	Details of User's counterparty at IP required
One Nomination per System Entry Point or Connected System Exit Point at the IP per User	One or more Nominations per System Entry Point or Connected System Exit Point at the IP, depending on the types of nomination used & the number of counterparties per User
No NG NTS interaction with Adjacent Transporters at IPs	NG NTS interaction with adjacent TSOs at IPs to undertake Nomination 'matching' process Specification of an Initiating & Matching Transporter role

Current and New Regime: Gas Flow Day 1st October 2015

Current Arrangements at IPs	New Arrangements at IPs
<p>Nomination submission period:</p> <p>D-30 to D-1 13:00 (output)</p> <p>D-30 to D-1 14:30 (input)</p>	<p>D-30 to D-1 13:00 (either direction). Note that the adjacent TSOs may not offer the same earliest submission time (GNI is D-31, PTL is D-30)</p>
<p>Re-nomination submission period:</p> <p>15:00 D-1 to 03:00 D</p>	<p>15:00 D-1 to 02:00 D</p>
<p>Typically 1 hour processing time</p>	<p>Up to 2 hours</p>
<p>Communications as per UK Link Manual / Gemini</p>	<p>Communications as per Edig@s file formats or equivalent data format developed by ENTSOG</p>
<p>Limited ability to reject a nomination (e.g. validation failure). Application of Overrun Charges for nominations in excess of capacity entitlement</p>	<p>Additional reasons for Transporter to amend or reject a nomination. Application of Overrun Charges for nominations in excess of capacity entitlement</p>

Matching Framework

- **Nominations - two methods to notify TSOs of intention to flow at an IP**
 - 'Single sided' only one notification is issued (to the *Initiating TSO*); and
 - 'Double Sided' a notice is issued to each of the TSOs at the IP
- **Initiating & Matching**
 - 'Initiating' TSO receives SSNs & initiates the *Matching Process* by sending its *Processed Quantity* to the *Matching TSO*; and
 - 'Matching' compares the two *Processed Quantities* & resolves any difference by applying the *Matching Rule* to determine a single consistent *Confirmed Quantity*
- **Processed Quantity (PQ) & Confirmed Quantity (CQ)**
 - PQ is the value each TSO determines as acceptable in response to a User's nomination pursuant to application of the relevant Code provisions. As this value may be different for each TSO, the CQ is a single consistent value derived following application of the *Matching Rule*
- **Matching Process**
 - Comparison of two PQs & derivation of a single consistent CQ using the *Matching Rule*
- **Exceptional Events**
 - For GB, equivalent to 'Transportation Constraint' in UNC
 - Equivalent terms in GNI and PTL codes

Matching Framework

■ **Matching Rule:**

- The lesser of the Processed Quantities (PQs) prevails; except
 - NG Exceptional Event where the NG PQ prevails; or
 - Emergency where PTL / GNI PQ prevails (subject to Available Moffat Quantity)

■ **Default Nomination Rule:**

- User does not submit a Nomination - deemed to have submitted a Nomination of zero

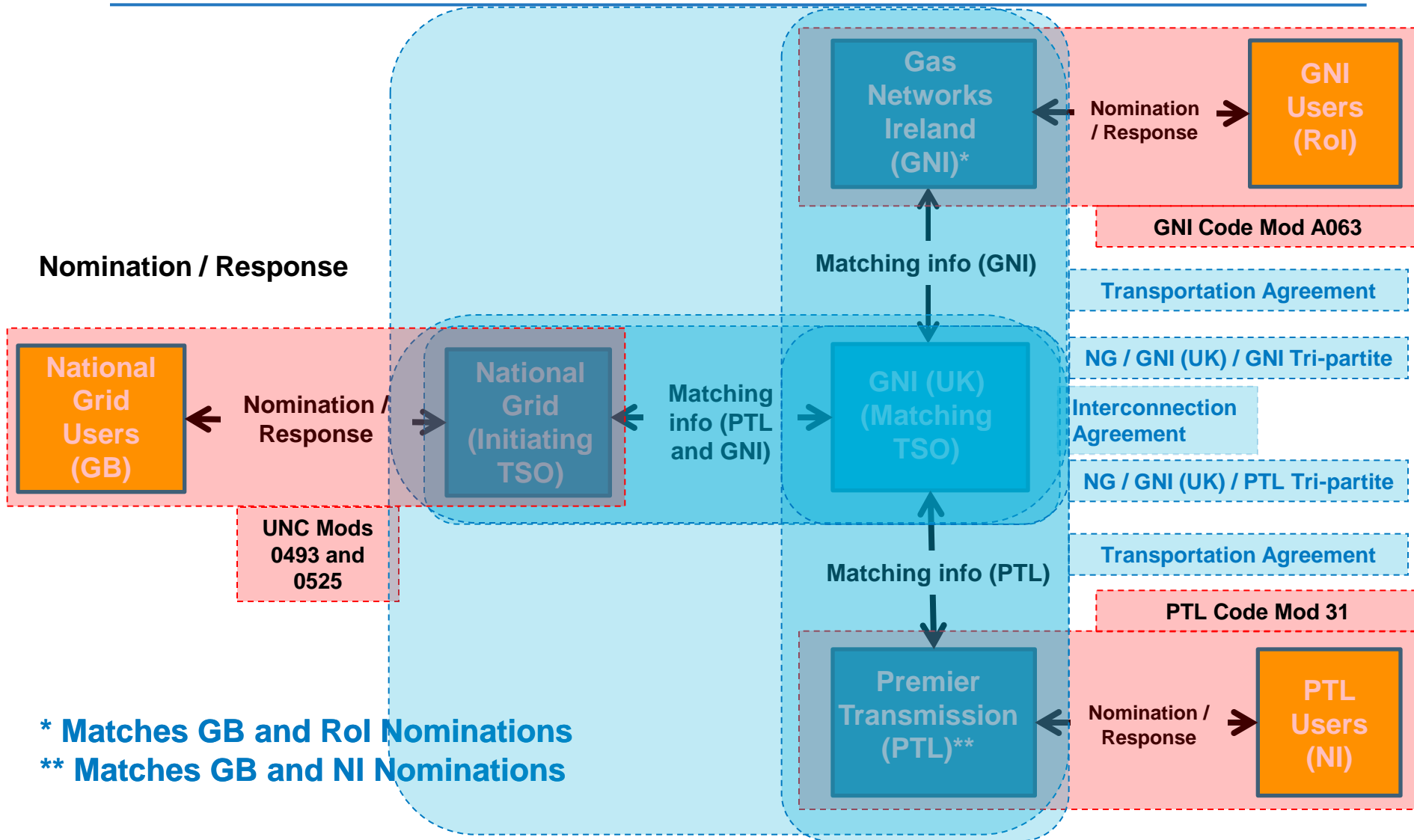
■ **Roles:**

- NG is the Initiating TSO (receives SSNs)
- GNI(UK) is the Matching TSO
- GNI and PTL will undertake certain matching activities

■ **TSO revision of Nominations:**

- During Exceptional Events or Emergencies a TSO may revise nominations;
- If a TSO exercises this right the User will receive a revised CQ; and
- TSO must advise Regulatory Authority if it does so

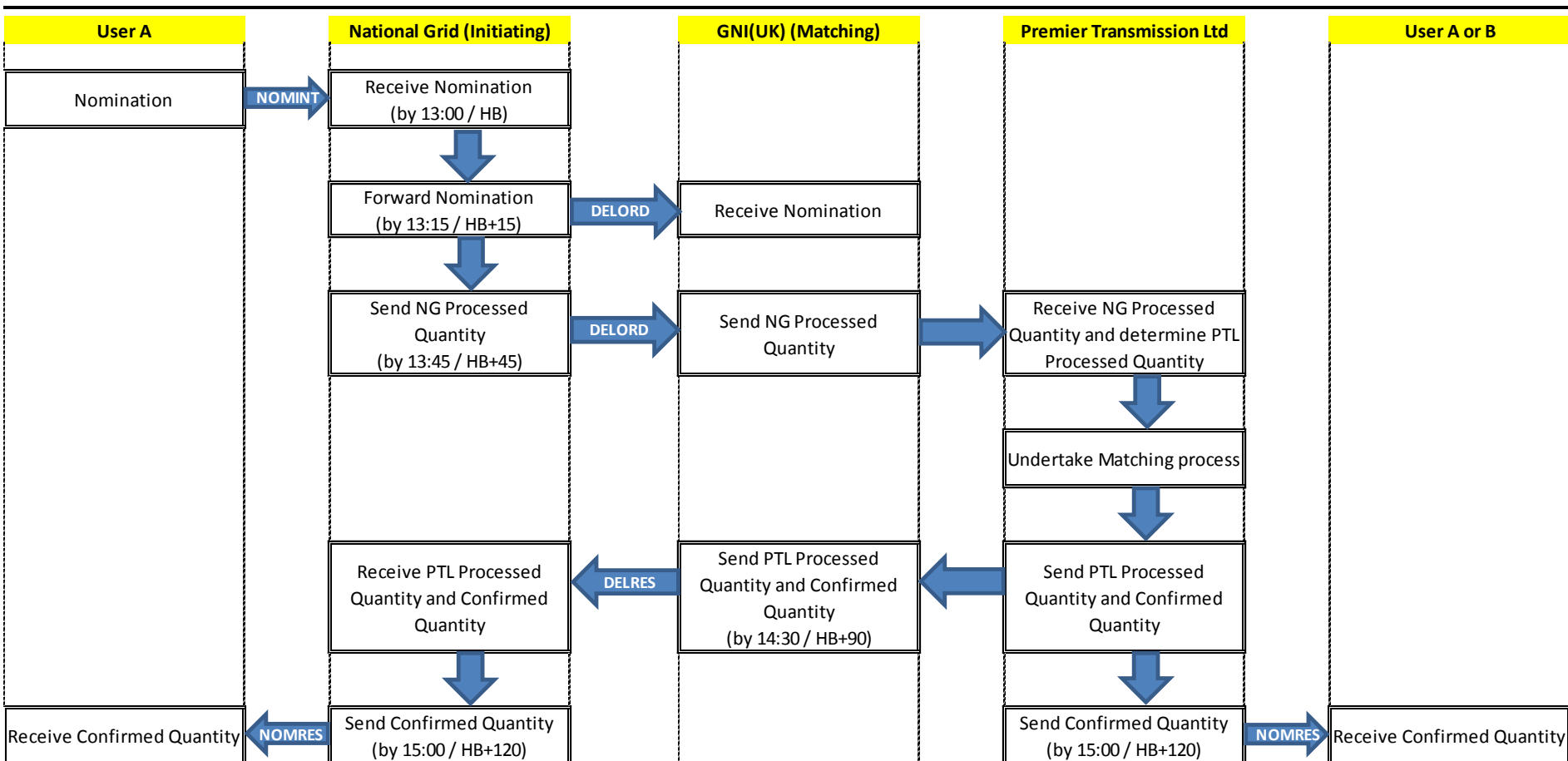
Matching Arrangements



Single Sided Nominations NI

NG/GNI(UK) IP

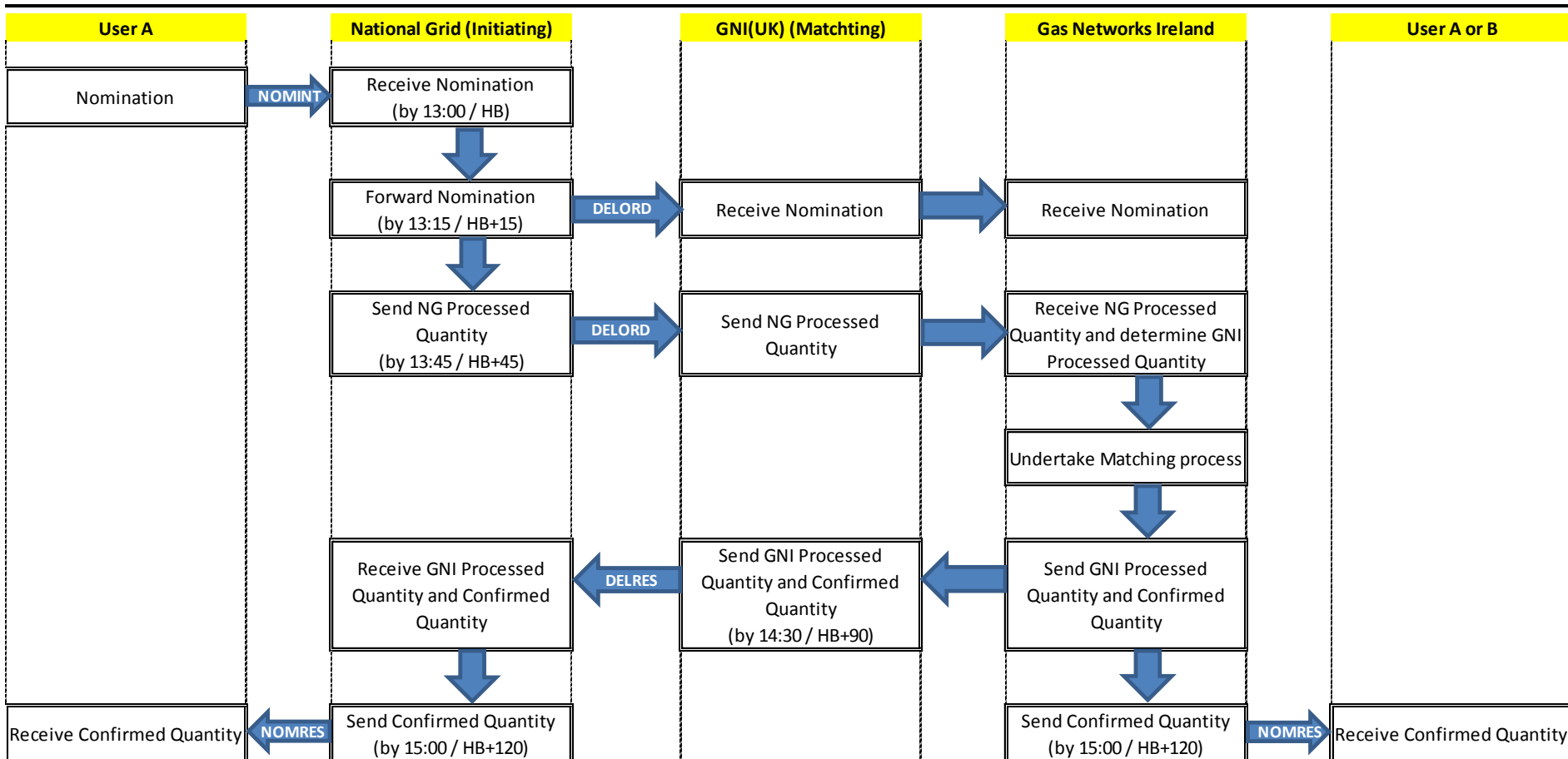
FLOW TO NORTHERN IRELAND (INCLUDING VIRTUAL REVERSE)



Single Sided Nominations Rol

NG/GNI(UK) IP

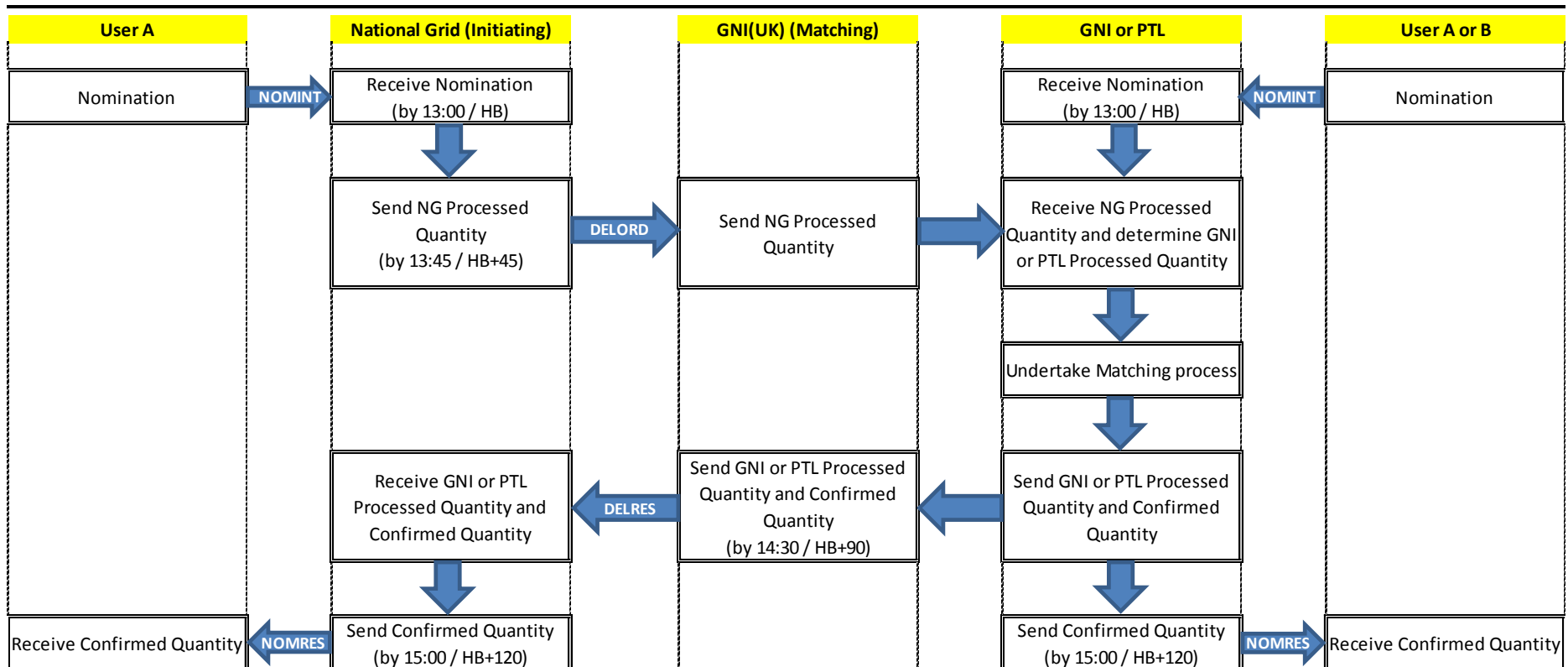
FLOW TO THE REPUBLIC OF IRELAND (INCLUDING VIRTUAL REVERSE)



Double Sided Nominations

NG/GNI(UK) IP

FLOW TO THE REPUBLIC OR IRELAND OR NORTHERN IRELAND (INCLUDING VIRTUAL REVERSE)



Allocation Regime and OBA



Operational Balancing Account (OBA)

- NGG and GNI(UK) propose to operate an OBA at Moffat
 - Provisions are detailed in the IA
- An OBA is an agreement between TSOs to manage differences between physical flow and shipper nominations ('Steering Differences')
 - Enables shippers to be allocated according to nominations
- The rolling OBA balance is defined as the 'Cumulative Steering Difference' (CSD)
 - NGG and GNI(UK) aim to keep the CSD as close to zero as possible
 - Daily 'correction' to address the CSD on D-1
- A Steering Tolerance of +/-3.25 GWh* is proposed

* The IA currently states 3.25 MWh in error, this will be corrected

Allocation Arrangements

- In normal circumstances, shipper allocations will equal their Confirmed Quantities
 - Greater certainty for shippers
- The TSOs may revert to proportional allocation in specific coincident circumstances:
 - The OBA balance exceeds the Steering Tolerance
 - An emergency or Exceptional Event has occurred
 - NGG and GNI(UK) both agree to do so
 - GNI(UK) will inform PTL on D+1
 - GNI(UK) will advise NGG of the PTL and GNI shipper allocations on D+2; NGG will then sub-allocate to NTS shippers based on this advice

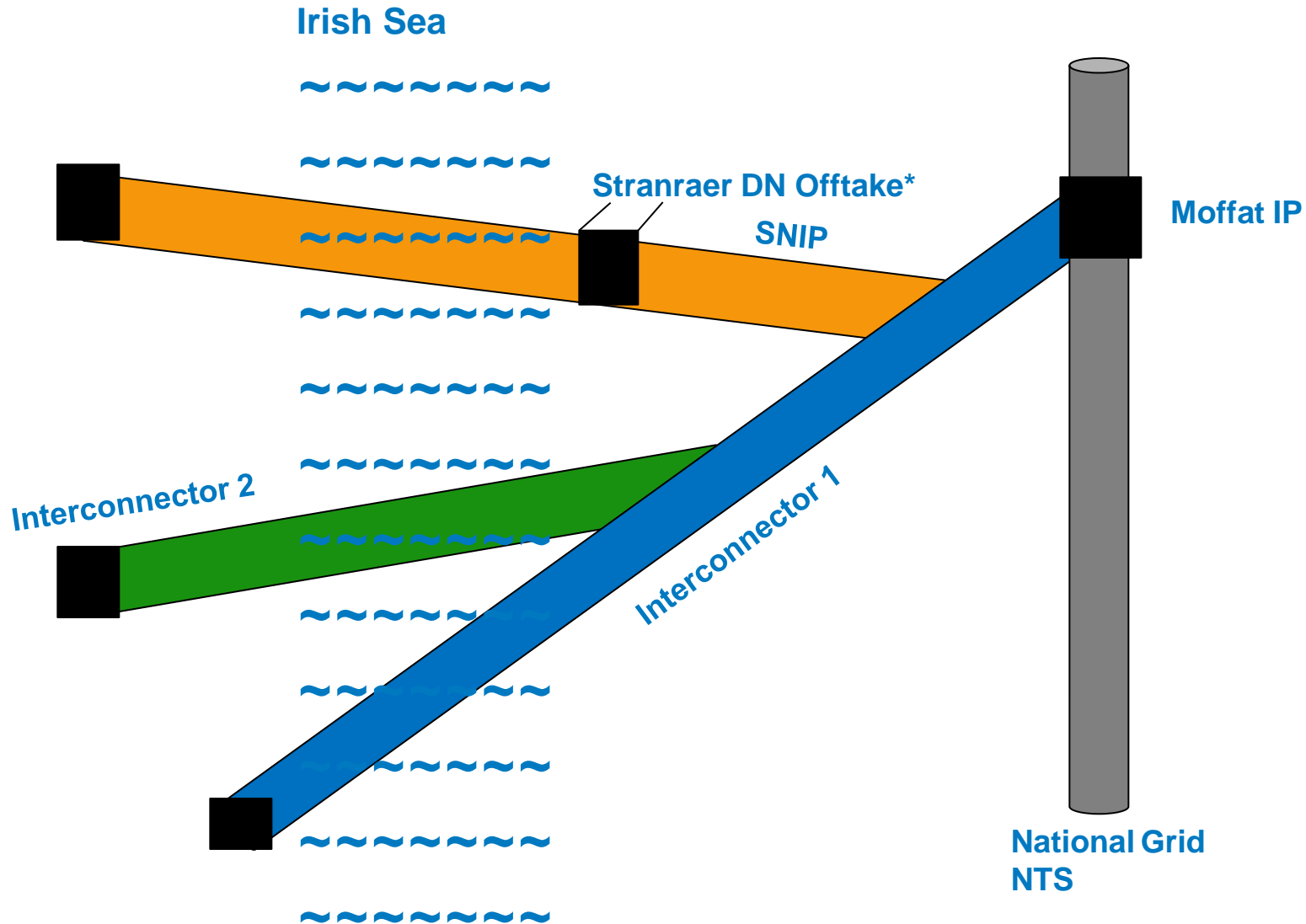
OBA and Allocations: Example

	30th September	1st October	2nd October	3rd October	4th October	5th October
Aggregate Net Confirmed Quantities	0	100	100	100	100	100
Start of Day CSD Correction	0	0	2	1	4	6
Start of day Agreed Target Quantity	0	100	102	101	104	106
End of Day Metered Quantity	0	98	101	97	98	102
End of Day Steering Difference	0	-2	-1	-4	-6	-4
End of Day Cumulative Steering Difference	0	-2	-1	-4	-6	-4
Total quantity allocated to shippers	as per old rules	100	100	100	100	100

Numbers are purely illustrative

Stranraer

Stranraer DN Offtake Arrangements



Stranraer DN Offtake

- Stranraer is a GB DN offtake
- However, physically, gas travels through the Moffat IP and is offtaken from the SNIP
- Thus, while not directly impacted by EU Codes, Stranraer processes are affected due to the new arrangements at Moffat
- UNC designates Stranraer as an 'SIU' and obliges Scotia Gas Networks (SGN) to make arrangements to provide gas for offtake
- SGN acts as a shipper on the PTL network in order to discharge this obligation

Proposed Stranraer Arrangements

- SGN will continue to book capacity with NGG and PTL
- SGN will nominate to PTL
 - There will be no corresponding NTS shipper nomination, therefore PTL will deem the SGN nomination to be matched
- The target flow through Moffat each day will include the Stranraer Confirmed Quantity (CQ)
- After the day, PTL will allocate SGN as per its CQ for Stranraer entry into PTL
 - On a proportional day, the GNI(UK) allocation statement provided to NGG will include an allocation for Stranraer
- The calculation of Steering Difference under the OBA will compare the end of day Moffat measurement against all net CQs including the Stranraer CQ
- GB shipper allocations for sites within Stranraer will be as per current GB DN allocation arrangements

CSEP Provisions



CSEP Provisions (IA)

- Annex B2 – Flow profiles and rate changes
 - This annex could not be completed prior to consultation launch; this will follow as soon as possible
- Annex E – TSO to TSO notices still being reviewed
 - Minor changes anticipated including notices for Communications in Exceptional Events
- Annex B3 – Capacity Optimisation Process

IA Communications in Exceptional Events



IA - Communications in Exceptional Events

- INT Code (Art 10) sets out communication requirements in Exceptional Events
 - TSO-TSO
 - TSO-Shipper
- The TSOs propose to discharge their 'TSO to TSO' obligations as follows:
 - The chain of communication will be between NGG and GNI (UK) under the IA (Annex E)
 - Between GNI (UK) and GNI under the GNI (UK) GNI Transportation Agreement
 - Between GNI (UK) and PTL under the GNI (UK) PTL Transportation Agreement
- Unless otherwise agreed, NGG will not communicate directly with GNI or PTL

Reference Conditions

Reference Conditions

- INT Code requires 0/25 reference conditions at IPs unless regulatory approval is given otherwise
- The TSOs have discussed with the NRAs maintaining the Moffat IP at 15/15 conditions and will shortly seek formal approval to do so
- The drafting assumes 15/15 will continue
- The TSOs will notify industry once the this regulatory process is complete

Moffat 'Designated Arrangements' for UNC

Moffat 'Designated Arrangements'

- NGG proposes to introduce a 'Moffat Designated Arrangements' document into UNC
- Draft discussed during Mod 0525 development phase
- The purpose is to describe how the Moffat IP will work within UNC
- Can only be done once contractual arrangements for the Moffat IP have been finalised
- Will describe the IP, include references to GNI & PTL, capacity arrangements and Stranraer arrangements
- NGG will seek separate approval of these arrangements by Ofgem, timed to coincide with approval of IA and Tripartites



Close



Close

- Please send your comments to box.gas.market.devel@nationalgrid.com, marketdevelopment@gasnetworks.ie and for the PTL tripartite to stephen.english@mutual-energy.com in addition
- Please use these email boxes for questions or contact us as below:

Subject	NGG Contact & Phone No.	GNI (UK)/GNI Contact & Phone No.	PTL Contact & Phone No.
Capacity	Matthew Hatch 01926 655893	Avian Egan +353 87 6538328 Aidan Hogan +353 21 4534871	Stephen English 02890 437594
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CSEP Provisions			