

What stage is this document in the process?

- 01 Proposal
- 02 Workstream Report
- 03 Draft Modification Report
- 04 Final Modification Report

0352: The Introduction of an Interruptible Reverse Flow service at Moffat Interconnector.

This modification proposal seeks to amend and restate the Moffat CSEP Ancillary Agreement to incorporate provisions for an Interruptible Reverse Flow service at Moffat Interconnector.



The Proposer recommends that this Modification proceeds to workstream for discussion.



High Impact:
Insert name(s) of impact



Medium Impact:
National Grid NTS and Shippers.



Low Impact:
Insert name(s) of impact

*Use file/properties/
custom to adjust the
contents of the box
below*

0352
Modification Proposal

08 December 2010

Version 1.0

Page 1 of 16

© 2010 all rights reserved

Contents

1	Summary	1
2	Why Change?	1
3	Solution	1
4	Relevant Objectives	1
5	Impacts & Costs	11
6	Implementation	14
7	The Case for Change	15
8	Recommendation	1

About this document:

This document is a Proposal, which will be presented by the Proposer to the Panel on 16th December 2010. The Panel will consider the Proposer's recommendation, and agree whether this Proposal should be referred to a Workgroup for development.



Any questions?

Contact:



Proposer:

Mike Wassell



**Mike.J.Wassell@uk.n
grid.com**



01926 654167

0352
Modification Proposal

08 December 2010

Version 1.0

Page 2 of 16

© Code Admin 2010



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow o

1 Summary

Why Change?

Currently GB has three Gas interconnector points, namely Bacton IUK, BBL and Moffat. IUK operates, between Bacton and Zeebrugge, a Bi-directional service that has the capability to physically flow gas both into and out of the UK. BBL has recently introduced a commercial exit service providing for commercial flows out of the UK (to the Netherlands) in addition to the physical capability to flow into the UK at Bacton, whilst Moffat currently operates a physical service out of the GB to Northern Ireland and Eire only.

National Grid NTS signalled its intent to introduce a reverse flow service at all Interconnectors in 2009 primarily to further integrate markets and facilitate greater market liquidity. Since then discussions have been ongoing with Gaslink and Ofgem regarding the introduction of a Commercial Interruptible Reverse Flow service at the Moffat Exit Point. Ofgem recently consulted on the necessary licence changes to enable National Grid NTS to treat Moffat as an NTS Entry Point for this specific purpose and in parallel, we have been working towards the development of the associated commercial terms of the Commercial Interruptible Reverse Flow service at Moffat.

Currently Users wishing to physically offtake Gas from the National Transmission System (NTS) at Moffat Interconnector must accede to a CSEP Ancillary Agreement. The CSEP Ancillary Agreement between National Grid NTS and CSEP Users at Moffat details specific requirements of Users at Moffat, primarily for the purposes of energy allocations and nominations, exit capacity booking whilst also ensuring National Grid NTS receive Exit Flow Profiles that reflect the physical real time offtake of gas. The CSEP Ancillary Agreement is part of Code for the purposes of enabling such Agreement to be modified.

Additionally a Connected System Agreement ("CSA") is in place between National Grid NTS and Gas Link that contains certain Moffat Network Exit Provisions which affect existing CSEP Users at Moffat.

In order to introduce the Commercial Interruptible Reverse Flow service at Moffat, changes are required to both the CSEP Ancillary Agreement and the Moffat Network Exit Provisions contained in the CSA.

Further details of the reason for this are given in Section 2.

Solution

It is proposed that the current Moffat CSEP Ancillary Agreement is amended and restated to the Moffat Ancillary Agreement (MAA) via this UNC Modification Proposal. As such, the proposed MAA will be effectively a combined Exit and Entry Ancillary agreement allowing signatories to utilise the Entry and/or Exit services at the Moffat Interconnector.

In addition changes are needed to the CSA to recognise that although there is no physical entry flow the CSA will include Network Entry Provisions to facilitate the Commercial Interruptible Reverse Flow service.

Further details of these proposed changes are given in Section 3.

0352
Modification Proposal

08 December 2010

Version 1.0

Page 3 of 16

© Code Admin 2010

In order to give effect to these changes National Grid NTS is proposing this modification proposal and the rationale for this is explained in more detail in Section 3.

Impacts & Costs

- Implementation and ongoing costs are anticipated to be minimal
- No system impacts have been identified and it is anticipated that current Gemini functionality allows for Moffat to be included as a System Entry Point for the purposes of both Entry Energy nominations and allocations and Interruptible NTS Entry Capacity release.
- No system impacts have been identified
- If the agent(s) were to fail to provide allocations, or the allocations did not conform with UNC and Ancillary Agreement requirements then the default allocation rules would apply to both entry and exit Moffat Users, as detailed under TPD UNC E3.2.7. Whilst this is not a change to the current UNC rules, it is important to appreciate that the introduction of a Commercial Interruptible Reverse Flow service may impact upon the default allocations Exit Users may receive at Moffat. National Grid NTS consider that, whilst the impact of default allocations on Moffat Users is potentially higher under this modification proposal, the risk of default allocations being applied is small.
- The introduction of a Commercial Interruptible Reverse Flow service at Moffat potentially impacts on the GB energy market by introducing greater market liquidity and access to the Northern Ireland and Eire markets.

Implementation

National Grid NTS recognise that the implementation of this UNC Modification proposal is not possible until agreement to the CSA proposed changes is received from Gaslink. National Grid NTS therefore propose that the implementation of this proposal should be as soon as possible post agreement from Gaslink to the proposed changes to the CSA.

The Case for Change

National Grid NTS signalled its intent to introduce a reverse flow service at all Interconnectors in 2009 primarily to further integrate markets, and facilitate greater market liquidity, further detail may be found in section 2.

Recommendations

National Grid NTS recommends that this proposal proceeds to the Transmission workstream for further discussion.

0352 Modification Proposal
08 December 2010
Version 1.0
Page 4 of 16
© Code Admin 2010



Insert heading here

Use this column in a Q and A style for explanations, in order to preserve the flow of the main text.

Insert text here

2 Why Change?

Currently GB has three Gas interconnector points, namely Bacton IUK, BBL and Moffat. IUK operates, between Bacton and Zeebrugge, a Bi-directional service that has the capability to physically flow gas both into and out of the UK. BBL has recently introduced a commercial exit service providing for commercial flows out of the UK (to the Netherlands) in addition to the physical capability to flow into the UK at Bacton, whilst Moffat currently operates a physical service out of the GB to Northern Ireland and Eire only.

National Grid NTS signalled its intent to introduce a reverse flow service at all Interconnectors in 2009 primarily to further integrate markets and facilitate greater market liquidity. Since then discussions have been ongoing with Gaslink and Ofgem regarding the introduction of a Commercial Interruptible Reverse Flow service at the Moffat Exit Point. Ofgem recently consulted on the necessary licence changes to enable National Grid NTS to treat Moffat as an NTS Entry Point for this specific purpose and in parallel, we have been working towards the development of the associated commercial terms of the Commercial Interruptible Reverse Flow service at Moffat.

Currently Users wishing to physically offtake Gas from the National Transmission System (NTS) at Moffat Interconnector must accede to a CSEP Ancillary Agreement. The CSEP Ancillary Agreement between National Grid NTS and CSEP Users at Moffat and details specific requirements of Users at Moffat, primarily for the purposes of energy allocations and nominations, exit capacity booking whilst also ensuring National Grid NTS receive Exit Flow Profiles that reflect the physical real time offtake of gas. The CSEP Ancillary Agreement is part of Code for the purposes of enabling such Agreement to be modified.

Additionally a CSA is in place between National Grid NTS and Gas Link that contains certain Moffat Network Exit Provisions which affect existing CSEP Users at Moffat.

In order to introduce the Commercial Interruptible Reverse Flow service at Moffat, changes are required to both the CSEP Ancillary Agreement and the Moffat Network Exit Provisions contained in the CSA.

Currently the CSEP Ancillary Agreement is limited to exit provisions. Additional provisions will be required due to the high level of potential interaction between the exit physical flow, exit energy nominations, exit energy allocations and the entry energy nominations and entry energy allocations that may result from the introduction of a Commercial Interruptible Reverse Flow service at Moffat. Relevant entry Users will be required to be parties to this agreement. Therefore National Grid NTS proposes to combine Moffat exit and entry requirements into a single agreement through the amendment and restatement of the existing Moffat CSEP Ancillary Agreement to the Moffat Ancillary Agreement. This revised version will in effect replace the existing version.

Changes to the Moffat Network Exit Provisions contained in the CSA are required because these provisions will be affected by the introduction of entry related provisions. Discussions with Gaslink to agree the changes required to the CSA are at an advanced stage.

0352
Modification Proposal

08 December 2010

Version 1.0

Page 5 of 16

© Code Admin 2010



Insert heading here

Insert text here

1. Moffat CSEP Ancillary Agreement changes.

It is proposed that the current Moffat CSEP Ancillary Agreement is amended and restated to become the Moffat Ancillary Agreement (MAA). As such, the proposed MAA will be effectively a combined Exit and Entry Ancillary agreement allowing signatories that are CSEP Users and SEP Users to utilise the Entry and/or Exit services at the Moffat Interconnector.

The key proposed amendments to the MAA are as follows:

- Provisions, for the purposes of UNC, to designate Moffat as a System Entry Point (SEP) and to required SEP Users to be a party to it.
- Provisions, for the purposes of the Moffat Ancillary Agreement (MAA), to refer to signatories of the MAA as Moffat Users and further permit Moffat Users to declare whether they wish to become a CSEP User, SEP User or both at Moffat.
- Provisions, for the purposes of UNC, to allow SEP Users to make Entry Nominations and receive Entry Energy allocations at Moffat SEP
- Provisions, for the purposes of UNC, to ensure any exit energy allocations at Moffat CSEP are at least equal to or greater than the aggregate allocations at Moffat SEP for the same Gas Day.
- Provisions, for the purposes of UNC, to ensure SEP Users only hold Daily Interruptible NTS Entry Capacity as defined under TPD B2.5

In addition to the key changes detailed above, National Grid NTS are also taking the opportunity to make some further minor amendments including, but not limited to;

- UNC references have been updated to reflect the current UNC
- Name changes from Transco plc to National Grid Gas plc
- Removal of references to the RTPA provisions which are no longer required

For clarity, the proposed changes will be limited to those needed to facilitate a Commercial Interruptible Reverse Flow service at Moffat and not to introduce any additional changes to the existing exit provisions.

2. CSA Changes.

The key proposed changes to the Network Exit Provisions contained in the CSA are as follows:

- 1) Introduction of Network Exit Provisions to identify a System Entry Point but recognise that no physical entry flow will be permitted.
- 2) Changes to enable Gaslink to move from providing a single daily end of day physical meter read (which due to the absence of a reverse mechanism always matches the combined gross commercial allocations) to providing three figures, namely:
 - a) gross commercial exit end of day quantities
 - b) gross commercial entry end of day quantity
 - c) net physical end of day quantity measured by the meters (equal to (a) – (b) above)

0352
Modification Proposal

08 December 2010

Version 1.0

Page 6 of 16

© Code Admin 2010

In addition to the key changes detailed above, National Grid NTS are also taking the opportunity to make some further minor amendments including, but not limited to;

- a) definition changes relating to entry provisions
- b) name changes from Transco plc to National Grid Gas plc
- c) UNC references have been updated to reflect the current UNC
- d) removal of references to the RTPA provisions which are no longer required

The details of all the Changes proposed in 3.1 and 3.2 above will be provided as suggested text. When the changes to the Network Exit Provisions in the CSA have been agreed with Gaslink these will be produced as final legal text for the purposes of this UNC Modification and implemented for the purposes of Code by this Modification. Any changes to the MAA are required as result of changes to CSA these will be treated in the same way.

It is noted that National Grid NTS will be able to provide the entire revised MAA but is unable to disclose the entire revised CSA to all Users due to confidentiality provisions in the CSA. However the revised CSA will be disclosed to existing CSEP Users at Moffat or those Users that intend to become a CSEP User at Moffat, who request it.

3. Modification Proposal requirements.

CSEP Ancillary Agreement and CSEP Users

Given the potential effects on CSEP Users of the changes, National Grid NTS believes that a UNC Modification Proposal is the correct vehicle for introducing them.

Please note however, that the general rule in TPD, Section V1.1.4 (see below) is that an Ancillary Agreement may only be amended by agreement of the Transporter and the User(s) that are parties, and cannot be modified under the Modification Rules.

1.1.4 An Ancillary Agreement may be amended by agreement of the Transporter and the User(s) party to that Agreement and not otherwise; and accordingly an Ancillary Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of the Code which apply to or are incorporated into such Agreement).

However, UNC TPD J6.6.2 (see below) states that a CSEP Ancillary Agreement is part of the Code to enable it to be modified under the Modification Rules.

6.6.2 A CSEP Ancillary Agreement shall be deemed to be a part of the Code for the purposes of enabling such Agreement to be modified pursuant to the Modification Rules.

This is supported by Clause 1.3 (see below) of the existing Moffat CSEP Ancillary Agreement which states that it may be modified pursuant to the Modification Rules:

1.3 This Agreement is a Network Code Ancillary Agreement for the purposes of Section V1.1, and (in accordance with Section J6.6.2) may be modified pursuant to the Modification Rules.”

As such it is the view of National Grid NTS that an amendment to the CSEP Ancillary Agreement is possible by this Modification Proposal.

0352 Modification Proposal
08 December 2010
Version 1.0
Page 7 of 16
© Code Admin 2010

SEP Users becoming party to the MAA

In order to enable the operation of a Commercial Interruptible Reverse Flow service at Moffat, System Entry Point (SEP) Users will be required to become party to the Moffat Ancillary Agreement, Section V1.1.6 (see below) provides for this.

1.1.6 Any Ancillary Agreement applying in respect of a System Entry Point or Connected System Exit Point shall provide (in such manner as the Transporter shall reasonably determine) for any User who may (or intends to) deliver gas to or (as the case may be) offtake gas from the Total System at that point to accede to such agreement; and the Transporter may refuse to allow a User who has not acceded or agreed to accede to such an Agreement to deliver or offtake gas or to hold System Capacity or to make a Nomination at or in respect of the relevant System Point."

UNC TPD J6.4 states:

6.4 Amendment of Network Exit Provisions

6.4.1 The Transporter will not agree with the Connected System Operator to amend any provision of CSEP Network Exit Provisions which governs or otherwise is directly relevant to the arrangements between the Transporter and Users pursuant to the Code except in accordance with Section J4.3.6."

These CSEP Network Exit Provisions are contained in the CSA between NGG and Gas Link.

UNC TPD J 4.3.6 states that the Transporter will not agree to a modification of the Network Exit Provisions (other than increases to the Permitted Ranges) applicable to a System Exit Point except:

- (i) with the consent in writing of all Users who are the Registered Users or CSEP Users (as the case may be) at the date when such amendment is to take effect at the System Exit Point; or
- (ii) in accordance with paragraph 4.3.7.

Where UNC TPD J4.3.7 states that where the Transporter and the relevant consumer or Connected System Operator (as the case may be) have agreed (subject to a Code Modification) upon an amendment to any such Network Exit Provisions, such Network Exit Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules."

Therefore, before changes to the Network Exit Provisions in the CSA may be implemented, either the consent of all the specific Moffat CSEP Users must be obtained or a UNC Modification is required.

National Grid NTS believes that a UNC Modification is the most appropriate means of achieving this, ensuring transparency. National Grid NTS believes that it is imperative for Users to be fully aware of and have adequate opportunity to understand the changes this proposal introduces prior to final agreement of the changes to the CSA from Gaslink.

0352 Modification Proposal

08 December 2010

Version 1.0

Page 8 of 16

© Code Admin 2010

4 Relevant Objectives

National Grid NTS believe that this Modification proposal will better facilitate the achievement of **Relevant Objectives b and d**.

Proposer's view of the benefits of 0352 against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	See explanation below
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	See explanation below
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	None



Insert heading here

Insert text here

Standard Special Condition A11. Network Code and Uniform Network Code

Standard Special Condition A11 1 b) Coordinated, efficient and economic operation of

- (i) the combined pipe-line system, and/ or
- (ii) the pipe-line system of one or more other relevant gas transporters.

Efficient and economic operation of the pipe-line system.

The introduction of a commercial Interruptible Reverse Flow service at Moffat Interconnector allows for greater co-ordination and access to both the Northern Ireland and Eire pipe-line system(s) and the National Transmission System. By facilitating energy nominations and allocations into the NTS from Ireland, access to the NTS is provided that would otherwise be absent. This may allow for greater co-ordination between the National Transmission System and the Northern Ireland and Eire pipe-line system(s) system and the respective Users of the pipe-line systems . Additionally by facilitating commercial flows into the NTS, the potential for commercial flows (in addition to physical flows) from the NTS into the BGE pipeline system is also provided for through this modification proposal, enabling diversity and choice to Users of both pipe-line systems and therefore promotes efficiency and economy through User choice.

Standard Special Condition A11 1 d) Securing of effective competition:

- (i) between relevant shippers;

0352
Modification Proposal

08 December 2010

Version 1.0

Page 9 of 16

© Code Admin 2010

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

National Grid NTS believe this proposal provides for greater competition between relevant Shippers by potentially providing greater access to the GB market. By providing for energy nominations and allocations into the NTS from Moffat interconnector, and as a result potentially allows greater scope for nominations and allocations from the NTS into Northern Ireland and Eire, which may increase effective competition between relevant Shippers.

0352 Modification Proposal
08 December 2010
Version 1.0
Page 10 of 16
© Code Admin 2010

5 Impacts and Costs

Costs

Include here any proposal for the apportionment of implementation costs amongst parties.

Indicative industry costs
None identified

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> Something about entry allocations??
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Views are welcomed from the industry
Development, capital and operating costs	<ul style="list-style-type: none"> Views are welcomed from the industry
Contractual risks	<ul style="list-style-type: none"> The introduction of a Commercial Interruptible Reverse Flow service at Moffat may impact upon the default allocations CSEP Exit Users at Moffat receive. As such this may also impact Users contractual obligations.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> Views are welcomed from the industry

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> None
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None?
Standards of service	<ul style="list-style-type: none"> None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None



Insert heading here

Insert text here



0352
Modification Proposal

08 December 2010

Version 1.0

Page 11 of 16

© Code Admin 2010

UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
	None

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	The CSA will become a combined NExA and NEA for Moffat
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	Impacted due to the inclusion of Entry provisions into the amended and restated Moffat CSEP Ancillary Agreement
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	Moffat is, subject to a section 23 notice consultation, to be classed as a System Entry Point with a zero baseline in the Gas Transporter Licence in respect of the NTS
Transportation Pricing Methodology Statement	None

Other Impacts	
Item impacted	Potential impact

0352 Modification Proposal
08 December 2010
Version 1.0
Page 12 of 16
© Code Admin 2010

Security of Supply	The introduction of a Commercial Interruptible Reverse Flow service at Moffat interconnector potentially enhances security of supply by increasing diversity of supply into the NTS.
Operation of the Total System	The operation of the system is not thought to be impacted by this modification proposal.
Industry fragmentation	Industry Fragmentation is potentially reduced through the introduction of the reverse service by providing wider access to Markets otherwise not accessible in the absence of this modification proposal.
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<p>Consumers – Northern Ireland and Eire consumers are potentially impacted by the introduction of the reverse service at Moffat as such a service could result in less physical delivery of Gas into Ireland, however this impact is expected to be managed by the Interconnector pipeline operator</p> <p>Connected System Operators – Gaslink are the Connected System Operator and need to agree to the introduction of a commercial counter flow service at Moffat. As such an amended Connected System Agreement (CSA) has been drafted and the relevant amendments have been summarised and included in this proposal for information purposes.</p>

0352 Modification Proposal
08 December 2010
Version 1.0
Page 13 of 16
© Code Admin 2010


Insert heading here
Insert text here



Insert heading here

Insert text here

Advantages

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1. Insert number paragraph here

Disadvantages

Insert subheading here

Insert body copy here

- Insert Bullet here
- 1. Insert number paragraph here

0352 Modification Proposal
08 December 2010
Version 1.0
Page 15 of 16
© Code Admin 2010

8 Recommendation

The Proposer invites the Panel to determine that Modification Proposal “The Introduction of an Interruptible Reverse Flow Service at Moffat Interconnector” is referred to the Transmission Workstream for discussion.



Insert heading here

[Insert relevant text or delete box]

9 Further Information

0352 Modification Proposal
08 December 2010
Version 1.0
Page 16 of 16
© Code Admin 2010