











UNC Draft Modification Report	At what stage is this document in the process?
<h1>UNC 0720S:</h1> <h2>Amendments to the Agreed Target Quantity at the Moffat Interconnection Point</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>This Modification seeks to change the definition of Agreed Target Quantity in the Interconnection Agreement between National Grid Gas plc and GNI (UK) Ltd and proposes supporting changes to the GNI and PTL Tripartite Agreements.</p>	
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification.</p> <p>The close-out date for responses is <b>11 September 2020</b>, which should be sent to <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>. A response template, which you may wish to use, is at: <a href="https://www.gasgovernance.co.uk/0720">https://www.gasgovernance.co.uk/0720</a>.</p> <p>The Panel will consider the responses and agree whether or not this Self-Governance Modification should be made.</p>
	<p>High Impact:</p> <p>n/a</p>
	<p>Medium Impact:</p> <p>National Grid, GNI (UK), GNI, PTL, Shippers</p>
	<p>Low Impact:</p> <p>n/a</p>

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Timetable		 0121 288 2107
<b>Modification timetable:</b>		Proposer: <b>Malcolm Montgomery</b>
Initial consideration by Workgroup	02 April 2020	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Workgroup Report presented to Panel	20 August 2020	 <a href="mailto:Malcolm.Montgomery@nationalgrid.com">Malcolm.Montgomery@nationalgrid.com</a>
Draft Modification Report issued for consultation	20 August 2020	 +447970114460
Consultation Close-out for representations	11 September 2020	Transporter: <b>National Grid</b>
Final Modification Report available for Panel (at short notice)	15 September 2020	Systems Provider: <b>Xoserve</b>
Modification Panel decision	17 September 2020	 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

# 1 Summary

## What

National Grid Gas plc (hereafter referred to as National Grid in this document) are observing large, late in the day changes to the rates and End of Day quantities to be offtaken at the Moffat interconnector (as notified to National Grid by GNI(UK)<sup>1</sup> via Exit Flow Profiles). This is understood to be due to issues with the mechanism used to calculate the Agreed Target Quantity (ATQ). Currently, Exit Flow Profiles sent to National Grid by GNI(UK) contain an End of Day quantity based purely on the aggregation of the prevailing net shipper nominations for the island of Ireland, Stranraer, and any Operational Balancing Account (OBA) Cumulative Steering Difference (CSD) correction. This is defined as the 'Agreed Target Quantity'.

GNI(UK) is bound by the Interconnection Agreement (IA) to notify National Grid of an ATQ that shall be obtained from the aggregate net confirmed nomination quantities. However, since the introduction of the EU Network Code on Balancing and the Corrib field coming online, GNI(UK) are experiencing issues with this mechanism within day. Shippers are understating volumes at the beginning of the day, and accurate (higher) nominations are not being provided until later in the day. National Grid and GNI(UK) wish to enable GNI(UK) to provide an ATQ which more accurately predicts End of Day quantities earlier in the Gas Day.

## Why

Late notification of changes to flow cause operational balancing issues for both National Grid and GNI(UK). This could lead to inefficient compressor usage by both National Grid and GNI as well as the possibility of the system operators taking residual balancing actions that may not be needed. The shipper community is also affected as late notification of changes to flow can cause inaccuracies in the Predicted Closing Linepack (PCLP) published by National Grid. As the only available linepack forecast made available externally by National Grid, inaccuracies have the potential to have a material impact on market prices and trading behaviour. National Grid is of the opinion that making this change to the IA would have a positive impact on all of these issues.

## How

This Modification proposes changes to the:

- 1) Interconnection Agreement between National Grid and GNI (UK);
- 2) Tripartite agreement between National Grid, GNI (UK) and GNI<sup>2</sup> at the Moffat interconnector and
- 3) Tripartite agreement between National Grid, GNI (UK) and PTL<sup>3</sup> at the Moffat interconnector.

Together these will provide a change in the way in which the ATQ is calculated. This change will aim to provide all parties with a much more accurate representation of End of Day quantities earlier in the Gas Day.

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<sup>1</sup> GNI (UK) is a transmission system operator for the gas interconnector between Moffat in Scotland and the Republic of Ireland and the Isle of Man, which is physically connected to the NGG System at the Moffat Interconnection Point.

<sup>2</sup> Gas Networks Ireland Limited (GNI) is the transmission system operator for the Republic of Ireland's gas transmission system (GNI System) for the transmission of gas to, in and from the Republic of Ireland.

<sup>3</sup> Premier Transmission Limited (PTL) is the transmission system operator for the gas interconnector between Twynholm in Scotland and Ballylumford in Northern Ireland, connected to the GNI (UK) System at Twynholm.

The current methodology states that GNI(UK) must submit an ATQ which is equal to the aggregate net of shipper nominations plus a Cumulative Steering Difference Correction (CSDC). The proposed change to the ATQ calculation is to add in additional GNI and PTL forward flow quantities calculated with reference to the aggregate exit demand within GNI's and PTL's respective systems (including Virtual Reverse Flow) minus the anticipated entry quantities at other entry points to those systems (these currently include Bellanaboy (Corrib) and Inch, but there may be more in due course).

For the avoidance of doubt this Modification does not seek to make any changes to the way in which the Steering Difference and Operational Balancing Account are managed. In accordance with the EU Interoperability Code, GNI (UK) and National Grid would seek to maintain an OBA balance that is as close to zero as possible.

## 2 Governance

### Self-Governance

This Modification should provide incremental benefit through improved quality of information. However, the issue is limited to a single point (Moffat Interconnection Point) and so it is not considered to have a material enough impact upon the operation of the market to warrant an Authority decision.

UNC Panel determined in March 2020, meets the criteria for Self-Governance as this Modification is unlikely to have a material impact on the operation of the market, gas consumers, competition, pipeline operations, security of supply, governance procedures and does not discriminate between code.

### Requested Next Steps

This Modification should:

- be subject to self-governance
- Proceed to Consultation.

## 3 Why Change?

As per the Interconnection Agreement between GNI (UK) and National Grid, and as per the tripartite agreements, GNI (UK) currently provide National Grid with flow notifications for Moffat which are obtained using aggregate net shipper nominations.

The combination of low shipper nominations earlier in the Gas Day and the large upward renominations late in the Gas Day, generate unreliable End of Day estimates early in the day. The uncertainty created by inaccuracies in End of Day Quantities submitted to National Grid, may result in inefficient use of compression, and impair efficient balancing resulting in an increased cost to Industry. There is also an impact on the accuracy of the PCLP, which as the only available linepack forecast made available externally by National Grid, can have significant impact on market prices and trading behaviour.

By continuing to accept these faults with the current mechanism for calculating End of Day quantities we are missing an opportunity to improve the economic and efficient operation of the NTS.

## 4 Code Specific Matters

### Reference Documents

[UNC EID](https://www.gasgovernance.co.uk/EID) (European Interconnection Document) <https://www.gasgovernance.co.uk/EID>

[UNC TPD](https://www.gasgovernance.co.uk/TPD) (Transportation Principal Document) <https://www.gasgovernance.co.uk/TPD>

[EU Interoperability Network Code](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015R0703)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015R0703>

### Knowledge/Skills

Not identified.

## 5 Solution

To help resolve the issue, then 1) GNI (UK) and National Grid wish to amend the Interconnection Agreement, 2) National Grid, GNI (UK) and GNI wish to amend the GNI tripartite agreement and 3) National Grid, GNI (UK) and PTL wish to amend the PTL tripartite agreement to change the way in which Exit Flow Profiles are calculated. The proposed solution is to re-define the ATQ to include an additional flow quantity submitted by GNI and an additional flow submitted by PTL. The additional flow quantity will be determined by GNI and PTL with reference to the aggregate exit demands within GNI's system and PTL's system respectively (including Virtual Reverse Flow) minus the anticipated entry quantities at Irish entry points other than Moffat.

Analysis supplied by GNI demonstrates this change would result in a more accurate estimation of Moffat demand earlier in the gas day. GNI (UK) will re-align the Agreed Target Quantity with the Aggregate Net Nominations i.e. revert to the current method for determining the ATQ, at midnight, such as there is no expected impact on the OBA at the end of the day.

In the event of a transportation constraint in the NTS that impacts upon National Grid's ability to export gas at Moffat, then upon notifying GNI(UK) of an Exceptional Event the additional GNI forward flow quantity and PTL forward flow quantity shall be zero unless otherwise agreed by the parties.

This UNC Modification seeks to implement the new methodology by revising the wording in the Moffat IA and tripartites as per UNC European Interconnector Document (EID), Section A section 4, which states 'Relevant Interconnection Provisions' will not be amended other than with approval from shippers / pursuant to a Code Modification.

The wording in annex H of the Interconnection Agreement and annex B of the tripartites shall be amended and the revised version of these agreements are submitted alongside this document.

## 6 Impacts & Other Considerations

### Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None

## Consumer Impacts

This Modification aims to both improve data provision for the shipper community and the efficient commercial operation of the NTS, this may benefit a range of gas market stakeholders including consumers.

<b>Consumer Impact Assessment</b> <i>(Workgroup assessment of proposer initial view or subsequent information)</i>	
<b>Criteria</b>	<b>Extent of Impact</b>
Which Consumer groups are affected?	<ul style="list-style-type: none"> <li>Domestic Consumers</li> <li>Small non-domestic Consumers</li> <li>Large non-domestic Consumers</li> <li>Very Large Consumers</li> </ul>
What costs or benefits will pass through to them?	There is an assumption that overall improvements in the data to the market will improve balancing efficiencies and in turn this will result in cost savings for consumers. Any potential cost savings resulting from better data and more efficient balancing by primary parties (Shippers) will be potentially manifest for Shippers and it will be for Shippers to pass these on to consumers. And potential savings may be in the form of avoided costs of National Grid residual balancing actions.
When will these costs/benefits impact upon consumers?	This would be immediately on implementation.
Are there any other Consumer Impacts?	None identified.
<b>General Market Assumptions as at December 2016 (to underpin the Costs analysis)</b>	
Number of Domestic consumers	21 million
Number of non-domestic consumers <73,200 kWh/annum	500,000
Number of consumers between 73,200 and 732,000 kWh/annum	250,000
Number of very large consumers >732,000 kWh/annum	26,000

## Cross Code Impacts

None

## EU Code Impacts

COMMISSION REGULATION (EU) 2015/703 establishing a network code on interoperability and data exchange rules Article 4, paragraph 2 states:

*Before concluding or amending an interconnection agreement which contains the rules referred to in Article 3 (c) rules for the matching process; (d) rules for the allocation of gas quantities; (e) communication procedures in case of exceptional events; transmission system operators shall invite network users to comment on the proposed text of those rules at least two months before the agreement is concluded or amended. The transmission system operators shall take the network users' comments into account when concluding or amending their interconnection agreement.*

In line with the requirements highlighted here, Users have had the opportunity to comment throughout the Modification and Workgroup process.

## Central Systems Impacts

None

## Workgroup Impact Assessment

### Background

Discussion at the Transmission Workgroup and UNC Panel commenced in March 2020 whereby the Proposer highlighted that this is a transparency (enabling) Modification which provides the governance for National Grid and GNI (UK) Ltd to amend the Interconnection Agreement.

The Proposer outlined that the changes are as follows:

- Amending Annex B (Nominations) of the Tripartite Agreement between National Grid, GNI(UK) and GNI;
- Amending Annex B (Nominations) of the Tripartite Agreement between National Grid, GNI(UK) and PTL;
- Amending Annex H (Operational Balancing Account and Allocation Principles) of the Interconnection Agreement between National Grid and GNI(UK) to reflect that the Agreed Target Quantity (ATQ) for each Gas Flow Day shall additionally include an additional GNI forward flow quantity and an additional PTL forward flow quantity. These forward flow quantities is additional in the sense that it is added to the GNI/PTL net forward flow shipper nominations and it shall be determined with reference to the aggregate Exit demands on the GNI/PTL Transportation Systems.

The Proposer outlined that the key benefit is as follows: To improve the GNI and PTL forecasting of End of Day quantities to enable GNI(UK) to submit more accurate Offtake Profile Notifications (OPNs) at the start of the day (and at other times) at the Moffat Interconnector, resulting in National Grid and the market having more accurate data.

The Proposer highlighted that the intention will be to net-off the Shipper nominations in order to provide the expected flow quantity and then finally to net-off any non-Moffat Irish entry supplies, which will leave the expected flow quantity at Moffat.

The Proposer provided a presentation on the mechanics of how this currently operates and what changes would be anticipated. This presentation can be located on the following link:

<https://www.gasgovernance.co.uk/0720/070520>.

Workgroup Participants did not raise any questions relating to the presentation. The Proposer identified the key changes to (Annex B and H). Some minor points relating to the Modification (GNI system demand), were raised by Workgroup Participants and the Proposer updated the Modification to V2.0 (25 June 2020).

The Proposer has now included information from both GNI and PTL (TSO for Northern Ireland) and updated to the Modification to v3.0 (30 July 2020). At Workgroup on 06 August 2020 the amended Modification was reviewed and no further questions were raised.

### Governance

UNC Modification Panel raised two questions; one relating to commercial impact suggesting that by switching the driver to GNI data this could skew the market and requested that the Proposer provides clarification of what protections would be put in place.

The Proposer believes that the current regime can skew the market by having too low an offtake estimated at Moffat at the start of the day and this Modification seeks to rectify this by ensuring the GB market has access, via the published PCLP value, to the most accurate data possible. The Proposer also advised Workgroup that there are two protections in place-

1. At Midnight the process for determining the ATQ shall revert back to the current arrangements to ensure no impact on the Operations Balancing Arrangements (OBA)
2. In the event of constraints, the process to determine the ATQ will revert back to current arrangements and this will ensure that commercial actions take effect in a timely manner.

The second question raised by UNC panel, was to consider the materiality of the proposal in terms of governance of the Modification. The Proposer advised that this Modification should follow Self Governance as it is an incremental change to improve data accuracy at a single point on the network which has no large materiality impacts on the market identified.

A Workgroup Participant requested clarification on whether Irish domestic demand related to Republic of Ireland (ROI) or the whole of demand on the Island of Ireland. The Proposer advised on 06 August 2020 that it did now relate to demand from both the GNI network and the PTL network thus the whole of demand on the Island of Ireland.

The Proposer discussed with Workgroup how National Grid would deal with constraint scenarios and provided an updated version of the Modification to explain this. The Workgroup reviewed the changes at the July 2020 meeting.

An early representation had been raised on the initial version of the Modification. The Proposer noted these changes to clarify the relationship of GNI(UK) and GNI and agreed that some of the language used in the Modification needed to be updated and as a consequence a further version of the Modification was reviewed during the June 2020 Workgroup.

It was agreed at the August Workgroup meeting that the Workgroup should now request that this Modification proceed to consultation.



## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
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.	None
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.	None
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
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

The implementation of this proposal will better facilitate the relevant objectives of the UNC:

a) efficient and economic operation of the pipeline system:

The increased accuracy of End of Day quantities earlier in the gas day could result in improved balancing, more efficient use of compression and improved data provision to industry via a more accurate PCLP figure. These factors all contribute to a more efficient and economic operation of the pipeline system.

The Workgroup agreed with the statements above by the Proposer in relation to the Relevant Objectives.

Workgroup noted that Relevant Objective b) ii) was not relevant in the case of this Modification.

## 8 Implementation

As self-governance procedures are proposed, implementation of this UNC Modification could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

Workgroup noted that there are other processes (required for actual implementation of the contractual change) which need to progress, relating to the other TSOs involved.

## 9 Legal Text

This Modification requires no changes to UNC text as it is an enabling Modification. However, to enact these changes, amendments will be made to

- 1) The Moffat Interconnection Agreement between GNI (UK) and National Grid
- 2) The GNI Tripartite agreement between National Grid, GNI(UK) and GNI and
- 3) The PTL Tripartite agreement between National Grid, GNI (UK) and PTL.

The proposed amendments to the Interconnection Agreement and the Tripartite agreements are submitted as separate documents which can be found here: <https://www.gasgovernance.co.uk/0720>

Workgroup reviewed these documents in June, July and August 2020.

## 10 Recommendations

### Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Self-Governance Modification.