

Variation Request

Modification 0510 – Reform of Gas Allocation Regime at GB Interconnection Points

Date: 3rd July 2015

The Proposer, National Grid NTS, requests a variation to this Modification, pursuant to UNC Modification Rules Section 6.5.1(c) of the UNC.

Reason for Variation

BBL Company raised an issue in its consultation response to Modification 0510 that the Modification Panel determined was sufficiently material to warrant re-opening the 0510 Workgroup.

The 0510 drafting that was consulted upon was based on National Grid NTS and its Adjacent TSO taking a decision to implement proportional allocation (i.e. to invoke a 'non-OBA Day') on Gas Day D+1 in respect of Gas Day D. BBL highlighted that this would not be possible for them because BBL is only able to switch to proportional allocation within the Gas Day on which it is to apply. This is because BBL receives nominations from its shippers and provides allocations to them on an hourly basis and BBL is not able to retrospectively adjust allocations for the hours of the gas day which have already passed; it is only able to implement proportional allocation prospectively.

BBL Company also suggested in its consultation response that the reference to "Exit Close-out Date" (i.e. D+5) could be extended to M+15 because it only physically delivers gas to the NTS. National Grid NTS did not agree to change this provision because of the provision in UNC TPD E1.4.2 which requires NTS entry measurements (Entry Point Daily Quantity Delivered) to be finalised by D+5.

Whilst reviewing the legal text post consultation, National Grid NTS also recognised another issue in the 0510 drafting not specific to BBL but generic across all IPs. This pertains to a situation where the TSOs schedule a different quantity of gas to flow across the IP from the net aggregate quantity nominated by shippers because the previous day's Cumulative Steering Difference has exceeded the Steering Tolerance. (i.e. the TSOs aim to under-steer or over-steer gas flow in order to bring the OBA balance back inside the agreed tolerance). In the event that such a flow adjustment is made on a Day, and that Day is also a Non-OBA Day, National Grid NTS considers that shippers should not receive a share of such quantity because that would be a quantity that shippers had not requested; it was scheduled purely between the TSOs.

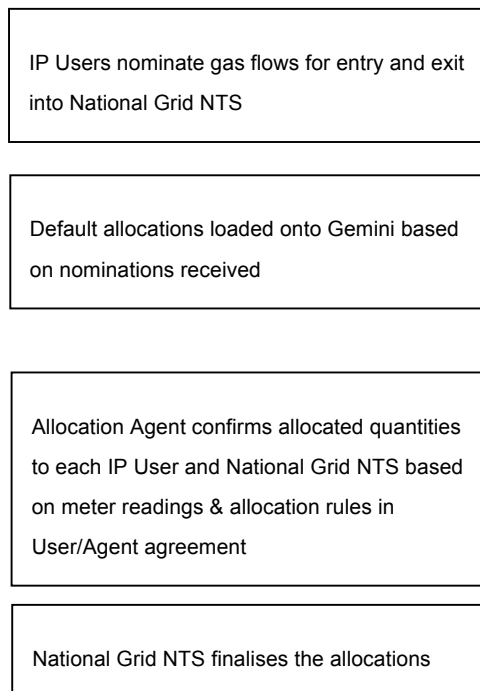
Nature of Variation

Amend the Solution as highlighted in red below (the entire replacement Solution section has been included for completeness).

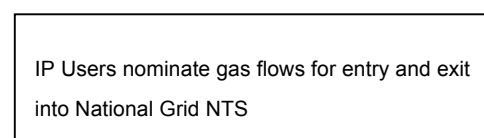
“Section E of the Transportation Principal Document includes the current arrangements for gas allocations for all NTS System Entry Points and NTS Connected System Exit Points (each IP comprising both). It is proposed that the UNC is amended to include arrangements between Users and National Grid NTS to facilitate an allocate as nominate regime at the IPs. For the reasons explained above, the proposed allocation regime at IPs, as required by the INT Code, will differ from arrangements in respect of other NTS System Entry Points and NTS Connected System Exit Points. National Grid NTS and its Adjacent TSOs will separately need to incorporate allocation rules into the Interconnection Agreements which will be subject to consultation with Users in due course.

The differences between the current and proposed allocations processes at IPs are shown in the following graphic:

Current Process



Allocate as nominate process



National Grid NTS communicates Confirmed Nomination Quantities to each IP User and the Adjacent TSO

National Grid NTS allocates gas to IP Users equal to their Confirmed Nomination Quantities

National Grid NTS and the Adjacent TSO use metered quantities for the purpose of determining and managing the Operational Balancing Account

Under allocate as nominate, both National Grid NTS and the Adjacent TSOs will utilise Nominated Quantities from the nominations Matching Process across the IPs to determine Users' UDQIs or, as the case may be, UDQOs and the corresponding Counterparty IS Users allocations. The Steering Difference (the difference between the Measured Quantity and Net Aggregated Nominated Quantities) is proposed to be accounted for within an Operational Balancing Account (OBA). However, in circumstances where the Cumulative Steering Difference (being the net result of all Steering Differences since the inception of the OBA arrangement) cannot be accommodated either by National Grid NTS or an Adjacent TSO, as a default approach, National Grid NTS would allocate gas to Users (and the Adjacent TSO would allocate gas to Counterparty IS Users) by dividing up the Measured Quantity in proportion to the Nominations (or as the case may be, Renominations) submitted in respect of that IP for that Day in the forward Direction and by allocating gas to Users in the reverse Direction equal to such Users' Nominated Quantities. The Steering Difference for that Day would be zero (by virtue of it having been allocated to Users in the forward Direction rather than to the OBA). Thus, the value of the Cumulative Steering Difference applicable at the end of the Preceding Day would also be applicable at the end of any Day on which such proportional allocation occurs (to be defined as a 'Non-OBA Day'). In line with Article 9(3) of the INT Code, National Grid NTS and each Adjacent TSO may only allocate gas in this way if the Steering Tolerance applicable in respect of an OBA has been breached and where National Grid NTS and its Adjacent TSO agree it is necessary to do so pursuant to provisions in the relevant Interconnection Agreements¹.

¹ These provisions will be available for Users to comment on in due course before the TSOs execute such revisions to the IAs

However, it is also proposed that UNC recognises that additional complexities could arise in respect of the TSOs determining allocations on a Non-OBA Day. This may be caused in particular by the hourly allocation regimes that apply upstream of the Bacton IPs and by the multi-TSO arrangements that apply downstream of Moffat. In relation to Article 9(1) of the INT Code, it is therefore recognised that the default proportional allocation method described above might result in allocations for Users that would be inconsistent with the allocations calculated by an Adjacent TSO for Counterparty IS Users. Therefore the IA may provide that the Adjacent TSO's determination should be applied in respect of allocations for Users, on the proviso that the net sum of such allocations is equal to the Measured Quantity, adjusted for any correction to the Cumulative Steering Difference that the TSOs may have scheduled for that Day. (If the Cumulative Steering Difference is outside the Steering Tolerance at the end of a Day, the TSOs will aim to over-steer or, as the case may be, under-steer compared to net shipper nominations to bring it back inside the tolerance - a "Scheduled Correction"). National Grid NTS considers that any such correction should not be allocated to Users if that Day turns out to be a Non-OBA Day because that would be a quantity scheduled purely between the TSOs. The default allocation method described above in the previous paragraph would only apply in the absence of such an Adjacent TSO determination.

National Grid NTS is aware that if an Adjacent TSO operates an hourly nomination and allocation regime, it may only be able to apply proportional allocation prospectively within a Day, rather than retrospectively after the Day. This is the case for BBL which is prevented under its transportation arrangements from adjusting allocations made equal to nominations in respect of hours that had already passed; only the remaining hours in the Day could be allocated based on the hourly measurement.

Where an Interconnection Agreement provides for this scenario, it is proposed that the decision to adopt proportional allocation for a Day would be taken by the TSOs and notified to Users within the Day on which the proportional allocation is to apply based on a forecast that the Cumulative Steering Difference would breach the Steering Tolerance at the end of that Day. The Adjacent TSO would then allocate some hours of the Day before the constraint occurred 'as nominated' to its shippers (for which an hourly steering difference would be allocated to the OBA) and other hours 'as measured' (hours for which the Adjacent TSO's shippers that had nominated gas flow after the decision to switch to proportional allocation would receive a share of the Measured Quantity for those hours, determined in accordance with the Adjacent TSO's transportation arrangements).

For the purposes of UNC, whilst the whole of that Day would be classified as a Non-OBA Day, National Grid NTS shippers would only be subject to the proportional allocation if they were paired with shippers on the Adjacent TSO system that were nominating during the hours for which proportional allocation applied. In other words, if a National Grid NTS shipper was paired with an Adjacent TSO shipper that had nominated and been allocated all of its gas in the hours before the constraint occurred and before the decision to switch to proportional allocation was taken, the

National Grid NTS shipper would receive an a (daily) allocation equal to its Confirmed Quantity.

In order to 'follow' the Adjacent TSO's allocations on such a Day, National Grid NTS would require that the aggregate quantity for that Day that the Adjacent TSO proposes to allocate to its shippers, plus or minus any Scheduled Correction, is equal to the Measured Quantity for that Day adjusted by the aggregate steering difference for those hours on which the Adjacent TSO allocated its shippers equal to their Confirmed Quantities (the Part-Day Steering Difference). In addition, the Steering Difference for that Day would be equal to the Part-Day Steering Difference.

The 0510 Workgroup requested a worked example to help explain how the Part-Day Steering Difference would be calculated and factored into National Grid NTS determination of quantities to be allocated to its shippers on a Non-OBA Day, which appears below. The numbers are purely illustrative.

- Scenario: a constraint occurs at 23:00 in the Day that affects the BBL IP, at which point the TSOs decide to implement proportional allocation for the rest of that Day. Assume that there is no Scheduled Correction for the Day.
 - Aggregate net shipper nominations for the Day = 120 units BBL exit, NTS entry. BBL shippers nominate this quantity to BBL at a flat rate of 5 units per hour.
 - The physical flow for each hour for the first 18 hours of the Day = 4.9 units, hence a steering difference of 0.1 is allocated to the OBA each hour.
 - A constraint occurs at 23:00 and the TSOs decide to implement proportional allocation for the rest of the Day.
 - For the last 6 hours of the Day, due to the constraint there is a physical flow of zero for the remaining 6 hours of the Day. Assume that shippers do not renominate.
 - After the day, National Grid NTS will allocate to its shippers in accordance with the BBL shipper allocations if the following condition is satisfied:
 - The total quantity that BBL propose to allocate to its shippers, adjusted by any Scheduled Correction, is equal to the Measured Quantity for that Day, adjusted by the Part-Day Steering Difference. (ref legal text EID D 3.2.1c).
 - Total quantity to be allocated to BBL shippers = sum of:
 - 5 units x 18 hours = 90 units (for the allocate as nominate hours)

- 0 units x 6 hours = 0 units (for the allocate as measured hours)
- The scheduled correction = 0 units
- = 90 units
- National Grid NTS will then require the Measured Quantity for that Day plus the Part-Day Steering Difference to equal 90 units:
 - Measured Quantity = 4.9 units x 18 hours = 88.2 units
 - Part-Day Steering Difference = 0.1 x 18 hours = 1.8 units
 - = 90 units.

For other IPs, For for information, a diagrammatic representation of circumstances in which National Grid NTS may seek to revert to proportional allocation is shown at Appendix B. For the purpose of determining whether or not the Cumulative Steering Difference has breached a Steering Tolerance in respect of an IP, National Grid NTS and an Adjacent TSO shall use the Measured Quantity in respect of a Day as first determined and shall not rescind such determination or its consequences for allocation arrangements in the event of any subsequent changes to the Measured Quantity for that Day that may be agreed between the TSOs. However, in the event that the TSOs determine a revised Measured Quantity within the Exit Close-out period then such correction shall be taken into account in the calculation of the Cumulative Steering Difference.

Scheduling Charges will not be applicable in respect of IPs on any Day, whether Users are allocated as nominated (by definition there would be no such charge) or allocated proportionally (because it is not expected that a User would be able to manage such an exposure).”

Workgroup Review of this Proposed Variation:

Workgroup 0510 considered these amendments on 29 June 2015, agreeing that they, along with the Legal Text provided by National Grid NTS, appropriately address the concerns identified.

The Workgroup believe these changes present a material impact to the Modification and recommend that Panel re-issue for further consultation as a consequence. Panel is asked to note that this further consultation needs to be concluded in time for an implementation recommendation to be taken at the August Panel meeting so that the October 2015 implementation date can be achieved.

Proposer's Representative

Phil Hobbins

Proposer

National Grid NTS