UNC Modification	At what stage is this document in the process?
# UNC 0720S: ## Amendments to the Agreed Target Quantity at the Moffat Interconnection Point	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

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.

The Proposer recommends that this Modification should be:

- subject to self-governance
- assessed by a workgroup.

This modification will be presented by the Proposer to the Panel on 19 March 2020. The Panel will consider the Proposer's recommendation and determine the appropriate route.

High Impact:

n/a

Medium Impact:

National Grid, GNI (UK), GNI, PTL, Shippers

Low Impact:

n/a

Contents

Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	02 April 2020
Workgroup Report presented to Panel	16 July 2020
Draft Modification Report issued for consultation	20 Aug 2020
Consultation Close-out for representations	10 Sep 2020
Final Modification Report available for Panel	11 Sep 2020
Modification Panel decision	17 Sep 2020

Any questions?

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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)[1] 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 1) the Interconnection Agreement between National Grid and GNI (UK), 2) the tripartite agreement between National Grid, GNI (UK) and GNI[2] at the Moffat interconnector, and 3) the tripartite agreement between National Grid, GNI (UK) and PTL[3] at the Moffat interconnector, which 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.

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

[1] GNI (UK) is Gas Networks Ireland (UK) 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.
[2] 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.
[3] 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.

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.

Requested Next Steps

This Modification should:

- subject to self-governance
- be assessed by a workgroup

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 (European Interconnection Document)

UNC TPD (Transportation Principal Document)

EU Interoperability Network Code

5 Solution

To help resolve the issue, then 1) GNI (UK) and National Grid wish to amend the IA, 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 quantity 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 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 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 IA and annex B of the Tripartites shall be amended and the revised versions 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.

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.

Users are invited to comment throughout the Modification process.

Central Systems Impacts

None

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.

8 Implementation

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

9 Legal Text

This Modification requires no changes to UNC text. 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.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this Modification proposal to a Workgroup for assessment.