

EU Codes Legal Roadmap

1 Purpose

1.1 This note outlines the legal steps leading up to and following 1 October 2015 to implement the respective EU Codes and Guidelines, which comprise so far:

- (a) Commission Decision on amending Annex I to Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks [2012/490/EU, 24/08/2012];
- (b) Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks;
- (c) Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009; and
- (d) Commission Regulation (EU) No. 703/2015 of 30 April 2015 establishing a Network Code on Interoperability and Data Exchange Rules.

1.2 This note covers the following:

- (a) The European Interconnection Document (**EID**) and the commencement and effectiveness of its provisions;
- (b) The code modifications proposed to implement the EU Codes and Guidelines;
- (c) The amendments to the Interconnection Agreements;
- (d) The provisions of the EID which are switched on/off in the respective Interconnection Agreements;
- (e) The bringing to an end of the Ancillary Agreements; and
- (f) The Moffat Designated Arrangements.

2 European Interconnection Document

2.1 The EID is a new document forming part of the Uniform Network Code (**UNC**) and will sit alongside the other parts of the UNC, i.e. Transportation Principal Document (**TPD**), Offtake Arrangements Document, Independent Gas Transporter Document, (subject to approval of the Project Nexus modifications), Transition Document, Modification Rules and General Terms.

2.2 The EID will have the following sections:

- (a) Section A (*General*): Provides for the definitions applicable to interconnection points (e.g. Interconnection Point, Transmission System Operator (**TSO**) and Adjacent TSO) and the relationship between the UNC and the rulebook of the Adjacent TSO. Section A is not tied to a particular modification as it contains provisions which apply in relation to a number of the modifications. Although, the baseline legal text for Section A was implemented through Modification 0500;

- (b) Section B (*Capacity*): Provides for the basis on which System Capacity at Interconnection Points may be allocated to Users, bundled with capacity in an Interconnected System and transferred or surrendered by, or withdrawn from Users. Section B implements Modification 0500;
- (c) Section C (*Nominations*): Provides for the basis on which Nominations may be made in respect of Interconnection Points. Section C implements Modification 0493. Section C was further amended by Modification 0525 (principally in relation to Moffat-specific arrangements); and
- (d) Section D (*Allocation*): Provides for allocation based on nominations (on the basis of operational balancing arrangements between TSOs). Section D principally implements Modification 0510V (if approved).

2.3 To date, the modifications proposed to implement the EU Codes and Guidelines comprise:

- (a) 0449 (*Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures*). This modification was implemented with effect from 06:00 on 1 October 2013; it is superseded by EID text introduced under 0500;
- (b) 0461 (*Changing the UNC Gas Day to Align with Gas Day under EU Network Codes*). This modification will be implemented with effect from 05:00 on 1 October 2015;
- (c) 0485 (*Introduction of Long-term use-it-or-lose-it mechanism to facilitate compliance with EU Congestion Management Procedures*). This modification was implemented with effect from 06:00 on 30 September 2014; it is superseded by EID text introduced under 0500;
- (d) 0489 (*EU Gas Balancing Code - Information Provision changes required to align the UNC with the EU Code*). This modification will be implemented with effect from 05:00 on 1 October 2015;
- (e) 0493 (*EU Gas Balancing Code – Daily Nominations at Interconnection Points (IP)*). This modification was implemented with effect from 06:00 on 19 June 2015;
- (f) 0494 (*Imbalance Charge amendments required to align the UNC with the Network Code on Gas Balancing of Transmission Networks*). This modification will be implemented with effect from 05:00 on 1 October 2015;
- (g) 0500 (*EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures*). This modification was implemented with effect from 06:00 on 19 June 2015;
- (h) 0501V (*Treatment of Existing Entry Capacity Rights at the Bacton ASEP to comply with EU Capacity Regulations*). This modification was implemented with effect from 06:00 on 21 July 2015. The process established by this modification (for allocation of capacity held by shippers as between the new ASEPs at Bacton) was completed on 28 August 2015;
- (i) 0510V (*Reform of Gas Allocation Regime at GB Interconnection Points*). This modification is awaiting Ofgem approval;

- (j) 0519 (*Harmonisation of Reference Conditions at Interconnection Points*). This modification will be implemented with effect from 05:00 on 1 October 2015;
- (k) 0525 (*Enabling EU compliant Interconnection Agreements*). This modification will be implemented with effect from 05:00 on 1 October 2015;
- (l) 0546S (*Reduction of the Minimum Eligible Quantity (100,000kWh) for European IP capacity*). The final modification report was published on 11 September 2015. The Modification Panel approved the modification on 17 September 2015. As a self-governance modification it is intended to be implemented 16 business days after the Modification Panel's decision (i.e. 9 October 2015); and
- (m) 0547S (*Corrections to the EID arising from implementation of Modifications 0493/0500*). The final modification report was published on 11 September 2015. The Modification Panel approved the modification on 17 September 2015. As a self-governance modification it is intended to be implemented 16 business days after the Modification Panel's decision (i.e. 9 October 2015).

3 Commencement of effectiveness of EID provisions

3.1 The UNC will be modified to include the modifications referred to above, from the "implementation date" stated in the applicable "notice of implementation" published by the Joint Office of Gas Transporters (**Joint Office**) (where the relevant modification is approved by Ofgem).

3.2 However, the rules themselves apply from a specific Gas Flow Day. A new part (Part VA) of the Transition Document sets out the dates from which the rules introduced in each new section of EID are effective, specifically:

- (a) EID Section A: 19 June 2015 (being the EID Implementation Date); except that the provisions of EID Section A paragraph 1.5 (*Reference temperatures at Interconnection Points*) are to be effective from Gas Flow Day 1 April 2016¹;
- (b) EID Section B: Gas Flow Day 1 November 2015; except that, subject to PRISMA kWh/d functionality and updates to the system following implementation of Modification 501V at Bacton, in relation to an Interconnection Point a User may submit:
 - (i) a request to Bundle Interconnection Point Capacity under EID Section B6.4;
 - (ii) a Surrender Offer under EID Section B7; or
 - (iii) notification of a System Capacity Transfer in accordance with EID Section B9;

in relation to an Interconnection Point, from the CAM Operational Date for that Interconnection Point.

The CAM Operational Date was the date that National Grid NTS (**National Grid**) determined and published as being the date on which certain communications under EID Section B could first be made in relation to that Interconnection Point. The CAM

¹ National Grid NTS may bring forward a further Code Modification to change this date to 1st May 2016 to align with its EU Phase 3 systems delivery date.

Operational Date could not be earlier than the EID Implementation Date (19 June 2015) and could not be later than the CAM Effective Date (1 November 2015). The CAM Operational Date was 6 September 2015;

(c) EID Section C: The rules went live on the EID Implementation Date and apply in respect of Gas Flow Day 1 October 2015 onwards; and

(d) EID Section D: Gas Flow Day 1 October 2015.

3.3 Nominations for Gas Days from 1 October 2015 are to be made under the rules set out in EID Section C. Such nominations can be made no earlier than 30 Days before the relevant Gas Flow Day (in accordance with the current provisions of TPD Section C).

3.4 The first Capacity Auctions to be held under the provisions of EID Section B shall be in respect of the Capacity Periods set out in the table below; and the provisions of EID Section B shall come into force accordingly:

Auction	Capacity Period	Date Auction First Held
Annual Yearly	Gas Years 2016/17 to 2030/31	7 March 2016
Annual Quarterly	Quarters in Gas Year 2016/17	6 June 2016
Rolling Monthly	December 2015	9 November 2015
Rolling Day-ahead Interruptible Rolling Day-ahead Within-Day	1 November 2015	31 October 2015

3.5 Paragraph 1.4 of Transition Document Part VA allows for later commencement of a particular provision of the EID in relation to a particular Interconnection Point, if specified in the relevant Interconnection Agreement. The respective Interconnection Agreements specify the following:

(a) BBL:

(i) Nominations matching for double-sided nominations commences on Gas Flow Day 1 October 2015; and

(ii) Nominations matching for single-sided nominations commences on Gas Flow Day 1 November 2015.

(b) Moffat: Surrenders of bundled Interconnection Point Capacity can only be made once PTL's Congestion Management Procedures (**CMP**) procedures and GNI's CMP procedures (respectively) have been activated in accordance with their respective transportation arrangements.

- (c) IUK: There are no provisions allowing for later implementation of particular provisions of the EID.

3.6 In respect of the BBL Interconnection Point, from 1 October 2015 until 1 April 2016, National Grid shipper nominations will be made at 15/15 reference temperatures, whereas BBL shipper nominations will be made at 0/25 reference temperatures. IUK and National Grid shipper nominations will both be made at 15/15 reference temperatures for this period. However, the 1 April 2016 date may need to be amended to 1 May 2016 to align with delivery of National Grid's EU Phase 3 systems changes, in which case National Grid will bring forward a further code modification. Subject to regulatory approval, the Moffat Interconnection Point will remain at 15/15 conditions on an enduring basis.

4 Amendment of Interconnection Agreements

- 4.1 Interconnection Agreements contain Network Entry Provisions and Network Exit Provisions, and therefore would normally be subject to the provisions in TPD Sections I and J specifying certain restrictions on amendment of those agreements, without User approval, a Code Modification or for compliance with a Legal Requirement.
- 4.2 Modification 0525 allowed for a one-off change to this normal procedure to enable National Grid to meet the deadlines for compliance with the EU Codes and Guidelines.
- 4.3 The procedure is set out in a new part (Part VB) of the Transition Document. Part VB required National Grid to consult with Users, on the proposed changes to the Interconnection Agreements, and refers to approval by Ofgem under the interconnector licence held by the other TSO. The procedure is limited to a one-off use in respect of each Interconnection Agreement, which lapses if not used in respect of the Interconnection Agreement, before 1 October 2015.
- 4.4 The current status of each of the Interconnection Agreements is as follows:
 - (a) the BBL Interconnection Agreement was submitted to Ofgem for approval on 5 September 2015 and, subject to Ofgem's approval, is expected to be signed around the end of September 2015;
 - (b) the IUK Interconnection Agreement was sent to Ofgem on 26 August 2015 and, subject to Ofgem's approval, is expected to be signed around the end of September 2015; and
 - (c) the Moffat Interconnection Agreement was sent to Ofgem on 9 September 2015 and the Tripartite Agreements were sent to Ofgem on 10 September 2015, and subject to Ofgem's approval, are expected to be signed around the end of September 2015.
- 4.5 The final execution version of each Interconnection Agreement (or at least those sections that are relevant to shippers) and Tripartite Agreements will be published on the website of the Joint Office - www.gasgovernance.co.uk.

5 Bringing Ancillary Agreements to an end

- 5.1 As part of the changes due to the modifications proposed to implement the EU Codes and Guidelines most provisions of each Ancillary Agreement have been superseded by EID or are redundant. Modification 0525 transposes into EID Section A the provisions of the Ancillary Agreement that remain relevant (including provisions relating to flow rate rules).

5.2 Modification 0525 inserts certain clauses into each Ancillary Agreement, with the effect that:

- (a) From 1 October 2015, the nominated-related provisions of EID supersede the equivalent provisions of the Ancillary Agreement; and
- (b) From 1 November 2015, the Ancillary Agreement ceases to have any effect.

5.3 The designated agency arrangements under the Ancillary Agreements cease to be operative for UNC purposes from 1 October 2015.

6 Moffat Designated Arrangements

6.1 Pursuant to Modification 0525, paragraph 1.4 of EID Section A provides for NGG to establish and designate the Moffat Designated Arrangements (**MDA**) (with Condition A11(18) Approval).

6.2 The MDA addresses the following factors which complicate the arrangements at Moffat:

- (a) the company which owns and operates the interconnector at Moffat, GNI (UK) Limited, does not enter into transportation arrangements with gas shippers; instead Gas Networks Ireland Limited (**GNI**) and Premier Transmission Limited (**PTL**) are the companies which enter into transportation arrangements with gas shippers;
- (b) there are two separate interconnectors (for Northern Ireland and the Republic of Ireland respectively) taking gas through a single NTS Exit Point at Moffat; and
- (c) the LDZ at Stranraer is supplied with gas which is taken from the NTS at Moffat and transported in the PTL pipeline to Stranraer on behalf of Scotia Gas Networks which is the DNO for the LDZ.

6.3 The above arrangements are reflected in various documents including the Interconnection Agreement and two Tripartite Agreements for Moffat. The purpose of the MDA is to draw together these arrangements and set out how they impact the UNC in a single document.

6.4 Legally, the MDA operates at the level of the UNC, and varies the generic rules in the UNC to take account of the Moffat arrangements.

7 Provisions of the EID switched on/off in Interconnection Agreements

7.1 Paragraph 1.9 of EID Section B states that the following provisions of the EID Section B:

- (a) paragraphs 6.3.2, 6.3.3, 6.3.5, 6.3.6 (*Interconnection Point Capacity held as Bundled*), and
- (b) paragraph 7.2.2(f) (*Offer to Surrender*).

shall only apply in relation to an Interconnection Point where the Adjacent TSO has agreed under the Interconnection Agreement to give or receive the communications to give effect to such provision and not otherwise.

7.2 Under the BBL Interconnection Agreement, it is agreed that:

- (a) paragraphs 6.3.5 and 6.3.6 and 7.2.2(f) shall apply to the Interconnection Point; and

(b) paragraphs 6.3.2 and 6.3.3 shall not apply to the Interconnection Point.

7.3 Under the Moffat Interconnection Agreement and the Tripartite Agreements, it is agreed that:

(a) paragraphs 6.3.5 and 6.3.6 shall apply to the Interconnection Point; and

(b) paragraphs 6.3.2, 6.3.3 shall not apply and 7.2.2(f) shall apply to the Interconnection Point once PTL/GNI's (as applicable) CMP procedures have been activated in accordance with their respective transportation arrangements.

7.4 Under the IUK Interconnection Agreement, it is agreed that none of the provisions listed at paragraph 7.1 shall apply to the Interconnection Point.

7.5 It is also noted that IUK are not using PRISMA for transfers and so the bundled transfer of capacity under paragraph 9 of EID Section B is not possible at the IUK Interconnection Point.