



Making a positive difference
for energy consumers

Andrew Kelly

Wholesale Market Manager

GNI (UK) Limited

Barry Gould

Regulatory Affairs

Gas Networks Ireland

Andrew McManus

Gas Commercial Manager

Mutual Energy Limited

Email: david.oneill@ofgem.gov.uk

Date: 16 July 2021

Dear Andrew, Barry, and Andrew,

**Approval of the proposed amendments to the Interconnection Agreement;
Tripartite Agreements at the Moffat Interconnection Point, and; the proposed
amendments to GNI's and GNI (UK)'s Access Rules**

On 27 January 2021, an amended version of the Tripartite Agreement between Premier Transmission Limited ('PTL'), GNI (UK) Limited ('GNI (UK)'), and National Grid Gas plc ('NGG') ('the **PTL TRI**') was submitted to the Authority¹ for approval in accordance with Standard Licence Condition (SLC) 3 of the Gas Interconnector Licence ('the Licence')² – 'Compliance with bilateral agreements'.

On 20 April 2021, amended versions of the Interconnection Agreement ('the **IA**') between GNI (UK) and NGG and the Tripartite Agreement between Gas Networks Ireland Limited ('GNI'), GNI (UK), and NGG ('the **GNI TRI**') were submitted to Ofgem, also in accordance

¹ References to the 'Authority', 'Ofgem', 'we' and 'our' are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² The current version of the Gas Interconnector Licence can be found at epr.ofgem.gov.uk

with SLC 3. The GNI TRI, constitutes GNI (UK)'s and GNI's Access Rules, which is why it was also submitted to Ofgem by GNI and GNI (UK) under SLC 11A – 'Approval of terms for access to the licensee's interconnector'.

SLC 3 states that the licensee shall enter into such bilateral agreements as may be reasonably required by any relevant gas transporter. Even though the agreement in question is between three parties and is therefore trilateral, we consider the treatment under the licence to be equivalent to that of bilateral agreements. Such agreements, and any amendments to these agreements, must be provided by the licensee and any co-signees to the Authority for its approval.

SLC 11A details the requirement for the licensee to seek approval of terms of access to their interconnector (the requirements of which are outlined in SLC 11). The licensee is required to review its access rules yearly, and to hold a public consultation on any proposed changes for at least 28 days. Following this, the licensee must provide us with a report setting out, among other things, the proposed modifications and any consultation responses.

This letter sets out our decision approving the amendments to the IA, GNI TRI and PTL TRI on the basis that they have been agreed by all parties and that there will be tangible benefits in line with Ofgem's core principles. This letter also sets out our decision to approve GNI (UK)'s and GNI's access rules.

Background

Arrangements at Moffat are unique within the UK gas network and involve a number of parties:

- NGG owns and operates the National Transmission System ('NTS') in GB.
- GNI (UK) (a wholly-owned but legally separate subsidiary of GNI) owns the gas interconnector between Moffat, in Scotland, and the interface between UK territorial waters and Manx Waters, for which it holds a gas interconnector licence. The GNI (UK) interconnector connects to the NTS at Moffat and splits into two different pipes before leaving the mainland.
- PTL holds an interconnector licence allowing it to operate the Scotland-Northern Ireland Pipeline ('SNIP') gas interconnector between Twynholm, in South West Scotland and Ballylumford, in Northern Ireland, and is connected to the GNI (UK) interconnector at Twynholm.

- GNI owns two interconnectors that connect with GNI (UK)'s interconnector pipes at the interface between UK Territorial Waters and Manx Waters and continue to the Irish mainland. The GNI interconnectors form part of the Irish entry-exit system, which has an entry point at Moffat.

To facilitate implementation of the European Network Codes ('ENCs'), two tripartite agreements were created; the GNI TRI and the PTL TRI. These agreements are necessary because GNI (UK) does not have a commercial relationship with either GB or Irish Shipper Users and so does not receive nominations from them directly. Therefore, the IA between GNI (UK) and NGG does not cover the full requirement of the ENCs.

The Tripartite Agreements cover arrangements at the Moffat Interconnection Point between the three signatories for (i) how capacity is allocated and bundled, (ii) how nominations to flow gas are made, and (iii) how gas flow quantities are allocated to Shipper Users after the gas day. This facilitates implementation of the ENCs in respect of gas flowing from GB to Ireland and to Northern Ireland.

Currently, GNI (UK) is required by the IA to provide NGG with an Agreed Target Quantity ('ATQ') that is the aggregate net confirmed nomination quantities for Ireland, Northern Ireland and the Stranraer Distribution Network.³ However, parties are experiencing issues with this arrangement. NGG are seeing significant changes to the rates and End of Day quantities to be offtaken at Moffat, usually coming late in the gas day. These are provided by GNI (UK) via Exit Flow Profiles, one component of which is the ATQ.

Late notification of flow changes can cause operational balancing issues for both NGG and GNI (UK), which can lead to inefficient usage of infrastructure and the unnecessary application of residual balancing actions. Shipper Users are also affected by late nominations, as they result in inaccuracies in the Predicted Closing Linepack ('PCLP') published by NGG. This can skew market prices and impact trading behaviour as the PCLP is the only linepack forecast published externally.

To resolve the issue, NGG proposed an enabling modification, Uniform Network Code ('UNC') 0720S – Amendments to the Agreed Target Quantity at the Moffat Interconnection Point. The modification outlined the proposed changes to the IA between NGG and GNI (UK) and the two Tripartite Agreements, which would allow GNI (UK) to provide a more accurate representation of End of Day quantities much earlier in the Gas Day.

³ SGN owns and operates the Stranraer Distribution Network in Scotland. In order to reach the Stranraer Distribution Network, gas flows out of the NTS through Moffat to the Stranraer Exit Point on the PTL owned Scotland-Northern Ireland Pipeline.

This was a self-governance modification that did not modify the UNC document. It allowed the IA to be approved by NGG through the UNC governance rules. This is a standard process for reviewing changes to documents that may impact upon users, such as Network Entry Agreements and IAs. On 14 September 2020, the Final Modification Report for UNC 0720S was submitted to the Panel for review. The modification was approved unanimously on 17 September 2020.

Summary of changes

The IA, GNI TRI and PTL TRI have been amended to include definitions of an Anticipated Additional Forward Flow Quantity ('AFQ') and an Expected Flow Quantity ('EFQ') from both Transmission System Operators (TSOs), GNI and PTL. The amendments also specify how these figures should be calculated and how they are incorporated into the ATQ. The details of these changes can be seen in the relevant annexes of the tripartite agreements.

The EFQ will be based on forecasts by the TSOs and will be calculated by subtracting expected physical delivery of gas (excluding that from Moffat) from the expected system offtake. This will leave an estimate of the total quantity gas required via Moffat for the day. The TSOs will consider all relevant information to ensure estimates are as accurate as possible. The AFQ will then be calculated by subtracting the confirmed flow quantities from the EFQ.

By including the AFQ in the ATQ calculation, the TSO will be able to provide NGG with more accurate End Of Day (EOD) flow quantities throughout the gas day. At 24:00 on the gas day, GNI (UK) will revert to the current method for determining ATQ. This is to avoid inaccurate forecasts having an impact on the Operational Balancing Account. The new ATQ methodology will be reinstated at the start of the new gas day.

Industry Consultations

Beginning 5 August 2020, as required under Article 4.2 of the Interoperability Network Code and SLC 11A of the Licence, GNI and GNI (UK) began a joint consultation on the amended IA and GNI TRI for a period of two months, during which time network users were encouraged to comment on the proposed documents. Two responses were received, both from Irish energy supplier Energia.⁴ The responses were requests for clarification, with no support or opposition expressed.

⁴ All responses to the consultation have been published on GNI (UK)'s website.

PTL issued the amended tripartite agreement to industry stakeholders directly. No responses were received during the consultation period from 16 September 2020 to 16 November 2020.

As a part of the UNC process, a separate consultation ran from 20 August 2020 to 11 September 2020, during which interested parties were invited to comment on the proposed changes to the IA, the GNI TRI, and PTL TRI. Two responses were received, from National Grid and ESB GT,⁵ both of which were supportive of the proposed amendments.

No further changes were made to any of the documents as a result of the consultation periods.

Ofgem's View

As highlighted above, the proposed changes to the IA between NGG and GNI (UK) and the two Tripartite Agreements will improve accuracy of GNI (UK)'s representation of End of Day quantities to NGG much earlier in the Gas Day, which will lead to a more efficient use of system infrastructure, such as compressors. It will also reduce the likelihood of NGG having to take residual balancing actions, increasing operational efficiency and avoiding unnecessary costs. Shippers will be able to rely on more accurate PCLP, ensuring decisions are informed by accurate information. Alongside the more direct benefits, we note that the proposed changes will likely increase flexibility for TSOs given the changes to the gas system expected in the future.

With this in mind we consider the proposed changes to the IA, GNI TRI and PTL TRI to improve further transparency of the existing market and access rules, as well as to be non-discriminatory and objective.

We consider the proposed changes to be compliant with Regulation EC 715/2009 which continues to apply as retained EU law⁶ within the meaning of the European Union (Withdrawal) Act 2018. This is particularly the case with regard to GNI's and GNI (UK)'s compliance with the existing regulation on conditions for access to the natural gas transmission networks by improving the rules governing the communication and processing of nominations.

⁵ The responses have been made available at <https://www.gasgovernance.co.uk/0720>

⁶ <https://www.legislation.gov.uk/ukpga/2018/16/crossheading/retention-of-existing-eu-law/enacted>

Authority Decision

After careful consideration of the documents submitted on to Ofgem on 29 January 2021 and 20 April 2021, along with all supporting documentation,⁷ having regard to the Authority's principal objective and statutory duties, the Authority has decided to approve the IA, GNI TRI and PTL TRI in accordance with the provisions of SLC3 of the Gas Interconnector Licence. This is on the basis that amendments to the IA have been agreed by all parties and have received no objections from the industry during the consultation phase.

Further, following a review of the submitted documents and discussions with the relevant parties, the Authority considers the proposed GNI's and GNI (UK)'s Access Rules to be transparent, non-discriminatory, objective, and compliant with any relevant legally binding decision of the European Commission and/or the Agency. We expect GNI and GNI (UK) to keep their Access Rules under review.

A direction issued in accordance with SLC 11A (14) of the licence to this effect can be found in the annexes of this letter.

Publication of Access Rules

In accordance with SLC11A (15) of the Gas Interconnector Licence, GNI and GNI (UK) are required to publish (at least on their website) the approved Access Rules 28 days prior to their coming into effect (the Publication Period).

If you have any questions relating to this decision, please contact joseph.glews@ofgem.gov.uk.

David O'Neill

Head of Gas Markets and Systems, ESMS

Signed on behalf of the Authority and authorised for that purpose

⁷ Aside from the amended documents, we have reviewed the following: (i) Documentation relating to UNC Code Modification (Final Modification Report, the consultation, and the panel vote); (ii) Responses to two industry consultations; and (iii) representations made by GNI (UK) and PTL on submission of the documents for approval

ANNEX 1 - Ofgem Direction

Direction issued to Gas Networks Ireland pursuant to Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the 'Authority') pursuant to Standard Licence Condition 11A ('SLC 11A') paragraph 14 of the Gas Interconnector Licence ('the Licence') granted or treated as granted under section 7ZA of the Gas Act 1986 ('the Act') to Gas Networks Ireland ('GNI' or 'the licensee').
2. SLC 11A paragraph 9 requires the Licensee to review its Access Rules at least once in each calendar year and make such modifications to the Access Rules as may be requisite for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.
3. SLC 11A paragraph 5 requires that the Access Rules be objective, transparent, non-discriminatory, and compliant with the Regulation (Regulation (EC) No 715/2009 on conditions for access to the national gas transmission networks) and any relevant legally binding decision of the European Commission and/or the Agency (collectively the 'relevant Access Rules objectives').
4. Having regard to the relevant Access Rules objectives set out in SLC 11A paragraph 5, and to our principal objective and statutory duties, the Authority considers that GNI's proposed Access Rules meet the relevant Access Rules objectives.
5. SLC 11A paragraph 6 requires the licensee to take all reasonable steps to ensure that all persons, including those in other Member States who may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The licensee must also furnish the Authority with a report setting out the terms originally proposed in the Access Rules, the representations, if any, made by interested persons and any change in the terms of the Access Rules intended as a consequence of such representations.
6. In accordance with SLC11A paragraph 2, on 20 April 2021, GNI submitted its Access Rules to the Authority for approval.
7. Pursuant to SLC 11A paragraph 15, the Authority directs that the Access Rules be published without undue delay and shall not come into effect earlier than 28 days after publication.

8. The Authority hereby directs, pursuant to SLC 11A paragraph 8, that GNI's proposed Access Rules are approved.

9. The Authority hereby directs, pursuant to SLC 11A paragraph 15 that the Access Rules may be published 28 days before coming into effect.

10. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

11. This direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 16 July 2021

David O'Neill

Head of Gas Markets and Systems

Duly authorised on behalf of the Authority

ANNEX 1 - Ofgem Direction

Direction issued to GNI (UK) Limited pursuant to Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the 'Authority') pursuant to Standard Licence Condition 11A ('SLC 11A') paragraph 14 of the Gas Interconnector Licence ('the Licence') granted or treated as granted under section 7ZA of the Gas Act 1986 ('the Act') to GNI (UK) Limited ('GNI (UK)' or 'the licensee').
2. SLC 11A paragraph 9 requires the Licensee to review its Access Rules at least once in each calendar year and make such modifications to the Access Rules as may be requisite for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.
3. SLC 11A paragraph 5 requires that the Access Rules be objective, transparent, non-discriminatory, and compliant with the Regulation (Regulation (EC) No 715/2009 on conditions for access to the national gas transmission networks) and any relevant legally binding decision of the European Commission and/or the Agency (collectively the 'relevant Access Rules objectives').
4. Having regard to the relevant Access Rules objectives set out in SLC 11A paragraph 5, and to our principal objective and statutory duties, the Authority considers that GNI (UK)'s proposed Access Rules meet the relevant Access Rules objectives.
5. SLC 11A paragraph 6 requires the licensee to take all reasonable steps to ensure that all persons, including those in other Member States who may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The licensee must also furnish the Authority with a report setting out the terms originally proposed in the Access Rules, the representations, if any, made by interested persons and any change in the terms of the Access Rules intended as a consequence of such representations.
6. In accordance with SLC11A paragraph 2, on 20 April 2021, GNI (UK) submitted its Access Rules to the Authority for approval.
7. Pursuant to SLC 11A paragraph 15, the Authority directs that the Access Rules be published without undue delay and shall not come into effect earlier than 28 days after publication.

8. The Authority hereby directs, pursuant to SLC 11A paragraph 8, that GNI (UK)'s proposed Access Rules are approved.

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Dated: 16 July 2021

David O'Neill

Head of Gas Markets and Systems

Duly authorised on behalf of the Authority