

Rob Mills
Head of European Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Mike Thorne
Commercial Frameworks - Gas
mike.thorne@nationalgrid.com
Direct tel +44 (0)1926 656382

www.nationalgrid.com

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Re: Consultation on the designation of the “forecasting party” as required for compliance with the Gas Balancing of Transmission Network Code (the “Balancing Code”)

Dear Rob,

We welcome the opportunity to respond to this consultation, which is made on behalf of National Grid Gas plc (NGG) in its role as owner and operator of the Gas National Transmission System¹ (NTS) in Great Britain (“National Grid NTS”).

In summary, we support the view that National Grid NTS is currently the most appropriate party to be designated as the forecasting party for the GB balancing zone.

The Balancing Code sets out the information to be provided by Transmission System Operators (TSOs) to Users and the corresponding requirements of the TSO, distribution system operator (DSO) and forecasting party. The GB regime is already consistent with most of the requirements of the information provision chapter of the Balancing Code; however there are a few minor changes required. To this end, National Grid NTS raised UNC Modification 0489 ‘EU Gas Balancing Code – Information Provision changes required to align the UNC with EU Code’ (“UNC 489”), to ensure the UNC is fully consistent with the Balancing Code regarding information provision.

Our answers to the questions raised in the consultation can be found below.

Question 1 - Do you agree with Ofgem’s current view that NGG is the most appropriate forecasting party (as defined in BAL Article 39(5)) for the GB balancing zone?

We believe the general references throughout the consultation to ‘NGG’ leave it unclear as to which National Grid Gas licensee is being discussed. In particular, the statement that “National Grid Gas (NGG) is the most appropriate party to be designated as the forecasting party for the GB balancing zone” could be misinterpreted to suggest that both National Grid Transmission and Distribution licensees would be fulfilling the forecasting party role.

That said, National Grid NTS believes that National Grid NTS, as the GB TSO, is currently the most appropriate party to be designated as the forecasting party for the GB balancing zone. Within UNC 489, National Grid NTS accepts that it currently carries out the functions of

¹ UNC TPD A 1.2.1 states the “National Transmission System” or “NTS” is the pipeline system for the time being designated by National Grid NTS as such, and described in National Grid NTS’s Ten Year Statement.

the forecasting party and that it discharges these responsibilities via its agent (Xoserve) through its Ancillary Services Agreement²; however National Grid NTS has very limited direct involvement within the within-day forecast process itself.

The current GB forecasting arrangements were originally introduced by Transco plc which performed the role of both TSO and DSO. These arrangements have been in place for many years and the role of the current parties involved has developed with the historical evolution of the gas industry. The UNC does not, therefore, explicitly define a 'forecasting party' or equivalent role, although we acknowledge that Ofgem considers that UNC TPD H1.6.1 means that NGG already performs this role.

Ofgem states that "NGG already has the appropriate systems and other infrastructure to fulfil the role". As mentioned above National Grid NTS discharges its obligation via Xoserve which has two major projects running which affect the ownership of systems and infrastructure design: (a) the review of Xoserve Funding, Governance and Ownership (FGO) and (b) Project Nexus. FGO is in its early stages of development and therefore the full implications of the changes to National Grid NTS's and Xoserve's forecasting roles are not known at this stage. Project Nexus has identified a requirement to replace and enhance UK Link systems and will change supply point data from an aggregated position to a supply point meter level. This will substantially impact the process for forecasting in the future.

Therefore, we believe that a review of the GB forecasting arrangements may be required in the future for the following reasons:

- The forecasting arrangements are currently delivered by Xoserve, though as highlighted above, the FGO may lead to substantial change;
- Project Nexus will significantly impact the process for forecasting going forward; and
- No specific role is specified in the UNC or National Grid NTS transporter licence for a forecasting party.

Question 2 - Is there any other party that Ofgem should consider designating as the forecasting party for the GB balancing zone in accordance with BAL Article 39(5)?

UNC 489 was raised to ensure compliance with the Balancing Code, which is required by 1 October 2015, and is currently awaiting Ofgem determination. We note that Ofgem suggests that if National Grid NTS is designated as the forecasting party then Ofgem is minded to approve UNC 489 but if another party is designated then they will reject UNC 489. There are likely to be consequential impacts should the latter occur; for example, any significant delay to, or rejection of, UNC 489 may be detrimental to GB's ability to achieve the EU compliance deadline as a result of further work that would likely be necessary to formalise the forecasting party role in UNC.

Notwithstanding this, I refer to our last point in the previous answer regarding the potential need for a future review of the GB forecasting arrangements in light of FGO and Project Nexus.

² Agreement for the Provision of Information, Data Processing, Invoicing and Supply Point Administration Services in relation to the Transmission and Distribution of Gas in Great Britain

Question 3 – If the answer to question 2 is yes – please set out which party you consider should be designated as the forecasting party for the GB balancing zone and why.

Not applicable.

If you would like to discuss any of the points raised in this response, please contact Debbie Brace at deborah.brace@nationalgrid.com (01926 653233).

Yours sincerely

By email

Mike Thorne

Markets and Balancing Development Manager (Gas)
Commercial Frameworks - Gas