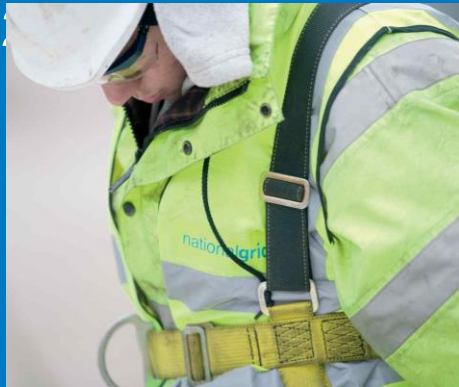


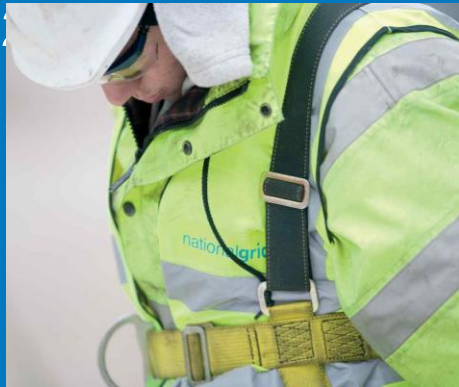
EU Codes Update



Expected Timeline

- Revised versions issued 15th Sept (as planned)
 - MSs can submit further comments on the English language drafts
- 2nd Comitology Meeting 29/30th September 2016
 - Still intended as a voting meeting even if changes made during meeting
- CAM Entry into Force 1st April 2017.

EU CAM Code



Recap on CAM Amendments Previously Notified

TxWG	
April 16	Restriction on use of condition firm capacity Restriction on use of “interruptible capacity” at IPs (longer duration) Offering of existing and incremental capacity (over different 15 year periods) Design phase start of process for incremental projects at any time rather than just biennial market demand assessment
Mar 16	EU Russia Study – “reality check “ of incremental amendment NG looking at comparison with PARCA and how setting aside of 10/20% incremental will work, Validity of NPV test, TSO/TSO and NRA/NRA coordination, role of PRISMA
Feb 16	EC wants incremental process to start July 2017 (Demand Assessment phase) Less than 3 months from entry into force to moving the auction Not all changes required until 2019 (actual auction)
Jan16	EC may propose to amend CAM such that all firm must be sold before interruptible is released
2015	Process for offering Incremental Capacity Market Demand Phase (non binding), Design Phase (non binding), Allocation Procedure (Binding) Need to protect option to offer fixed price in order to have meaningful incremental test TSOs develop a Market Demand Assessment Report every two years to analyse demand for incremental capacity per entry exit system border Changes to default auction calendar: <ul style="list-style-type: none"> • Annual yearly capacity auction to start on the first Monday of July each year (previously March) • Annual quarterly capacity auction to start on first Monday of August (previously June)

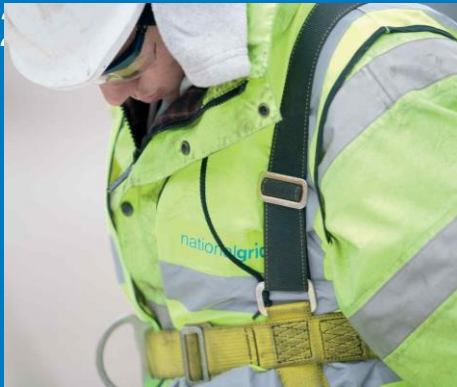
Recap on CAM Amendments Previously Notified

TxWG	
July 16	Additional text for TSOs to guarantee the availability of firm capacity available at IPs <u>with priority over other points</u>
	Capacity created via non-market based procedures and for which the final investment decision has been taken <u>without prior commitments from network users</u> shall be offered and allocated as available standard capacity products as set out in this Regulation
	Within <u>nine months</u> from the entry into force ENTSOG shall review and create a <u>catalogue</u> of the applicable terms and conditions of the transport contract(s) of the transmission system operators for bundled capacity products, identifying and categorising differences between the existing terms and conditions and the <u>reasons for such differences</u> and publish its findings in a report
	Immediately after the start of the annual yearly capacity auction <u>at least in each odd-numbered year</u> , TSOs shall co-operate in the processes of assessing market demand for incremental capacity and of conducting technical studies for incremental capacity projects for their joint interconnection points. The first demand assessment <u>shall be conducted in 2017</u>
	<p>TSOs offer the incremental capacity together with the respective available capacity in the annual yearly capacity auction as standard bundled products in <u>ascending clock auctions as a default</u></p> <p>TSOs may apply an <u>alternative allocation mechanism</u> where the demand assessment report, or the consultation indicate that the incremental capacity project fulfils both of the following conditions:</p> <ul style="list-style-type: none"> (a) it involves more than two entry-exit systems and bids are requested along several interconnection points during the allocation procedure; (b) bids with a duration of more than one year are requested

Recap on CAM Amendments Previously Notified

TxWG	
July 16	In the case of incremental capacity processes <u>initiated but not completed before the application date</u> of this Regulation, those processes <u>shall continue in accordance with the subsequent phase of the respective incremental capacity process in accordance with Articles 22 to 26</u>
	TSOs may offer standard capacity products for interruptible capacity of a duration <u>longer than one day</u> if the respective standard capacity product for firm capacity was sold at an auction premium, sold out, or was not available Transmission system operators shall <u>only</u> offer a daily capacity product for interruptible capacity in both directions at interconnection points where firm capacity has been offered but was sold out day-ahead
	Capacity Booking platforms text deleted
	Regulation shall apply from <u>1st April 17.</u>

EU CAM Code (Latest Changes)



CAM Art 6

Article 6

Capacity calculation and maximisation

- The calculation methodology and the rules of making available the capacity, adopted by the transmission system operators, shall guarantee that when ~~a crisis level as defined in Article 10 of Regulation (EC) No 994/2010 is declared~~ an emergency situation or when an exceptional event as defined in Article 2(a) of Commission Regulation (EU) No 2015/703 occurs in the Member State or an adjacent Member State firm capacity at interconnection points has priority over firm capacity at exit points into storage facilities.

CAM Art 21

Article 21

Bundling in case of existing transport contracts

- Within six month following the written request of a network user holding unbundled capacity at one side of an interconnection point, transmission system operators shall offer a free of charge capacity conversion service for annual, quarterly or monthly capacity product at that interconnection point, if no sufficient matching unbundled capacity on the other side of the interconnection point is offered. This service shall be offered on a non-discriminatory basis and shall prevent an undue overpayment of booked capacity. The implementation may be facilitated by the capacity booking platform(s) referred to in Article 37. The use of this service shall be reported annually to the respective national regulatory authorities.

CAM Art 32

Article 32

Allocation of interruptible services

- Transmission system operators may only offer standard capacity products for interruptible capacity of a duration longer than one day if the ~~respective~~ corresponding monthly, quarterly or yearly standard capacity product for firm capacity was sold at an auction premium, was sold out, or was not ~~available~~ offered.
- Transmission system operators shall only offer a daily capacity product for interruptible capacity in both directions at interconnection points where the respective standard capacity product for firm capacity ~~has been offered but~~ was sold out day-ahead: or was not offered. At unidirectional interconnection points where ~~technical~~ firm capacity is offered only in one direction, transmission system operators shall offer at least a daily product for interruptible capacity in the other direction.

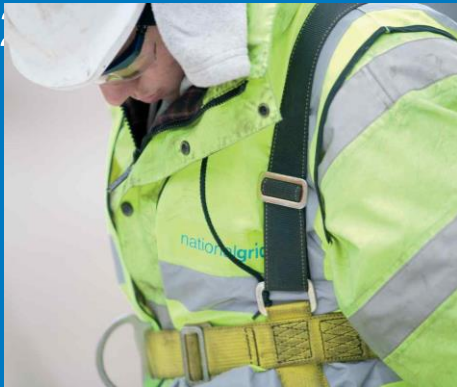
Art 37 (For information)

■ Article 37

Capacity booking platforms

- Within three months from entry into force of this Regulation all transmission system operators shall reach a contractual agreement to use a single booking platform to offer capacity on the two sides of their respective interconnection points or virtual interconnection points.

GB UNC Modifications



UNC Modifications

- NGG have provided ongoing monthly updates to the industry as the Codes have developed and amended via the Comitology process

- NGG plan to bring forward two UNC modifications
 - This is subject to the ongoing Comitology process which is **expected to conclude** at the end of September

- Welcome industry involvement in Mod Development WG's

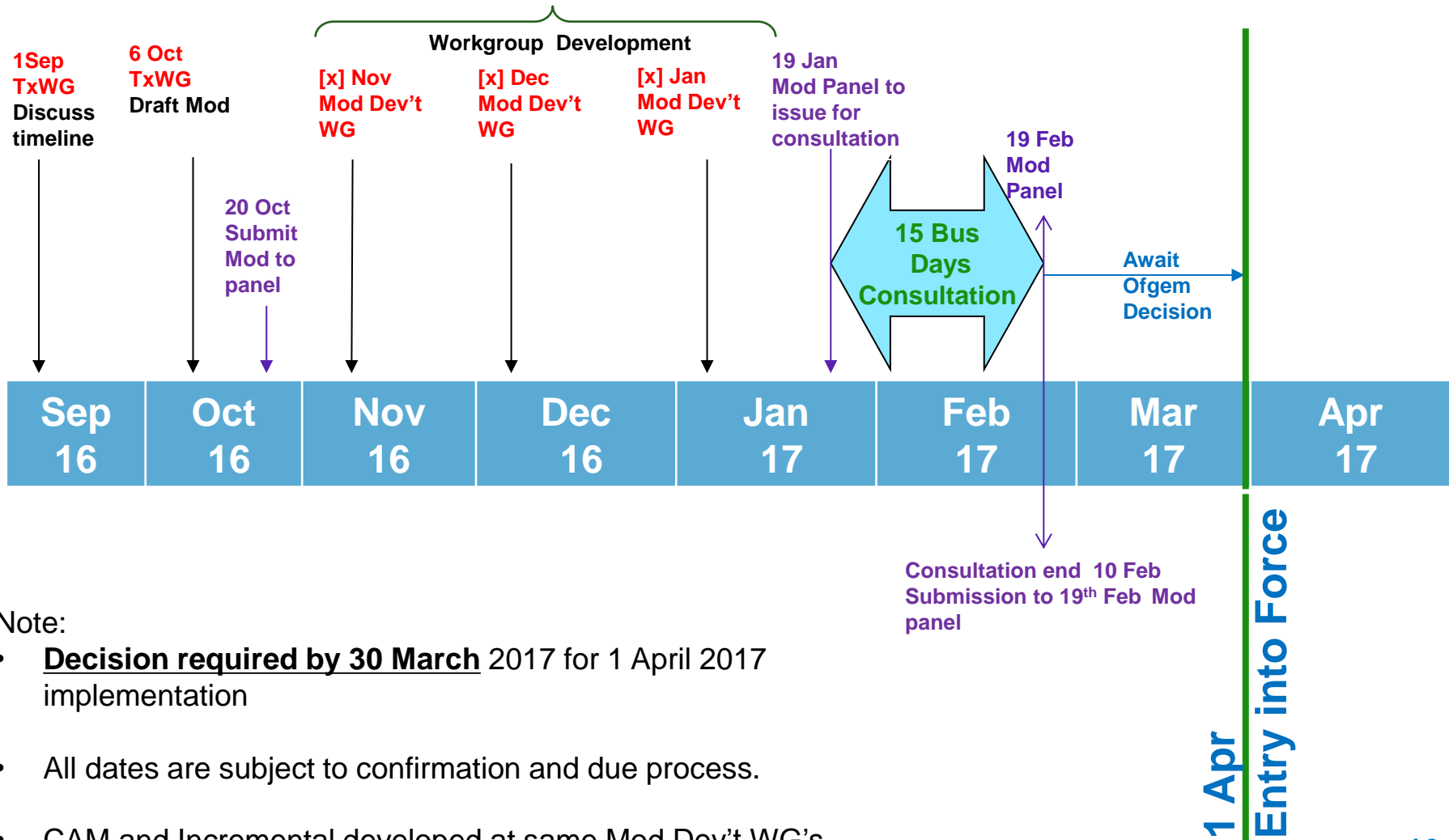
UNC Modification - CAM Amendments

- Modification for CAM Amendments to include changes to (subject to final CAM version):
 - **Auction Calendar changes for Annual and Quarterly products**
 - Moves to July and August respectively
 - **Introduction of a Rolling Quarterly auction**
 - Replaces the current once a year Quarterly auction
 - **Restriction on Day Ahead Interruptible capacity**
 - Only offered if all firm sold out DA
 - Potential Over-nom Process?
 - **Priority of IP capacity over storage exit capacity in emergencies**

UNC Modifications - CAM Incremental

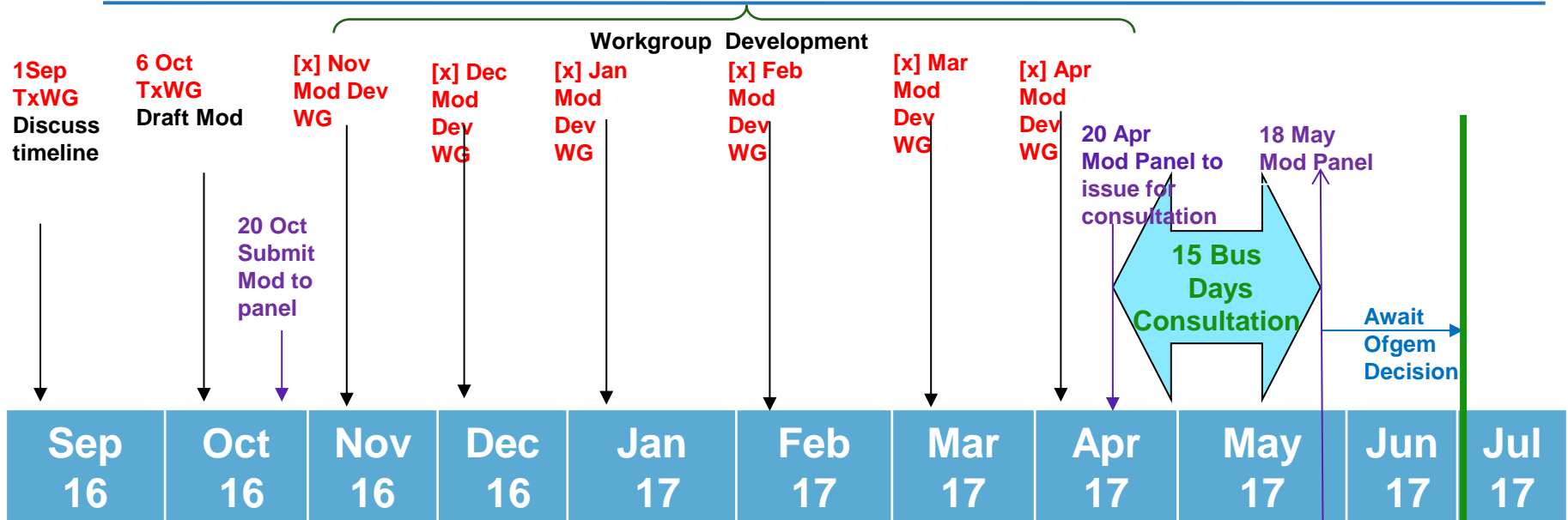
- Modification for CAM Incremental changes to include changes to (subject to final CAM version):
- The ability for Users at IP's to signal Incremental Capacity
 - **Introduction of a IP Demand Assessment process**
 - Collection of User Incremental demand across all EU IPs
 - **A Design phase**
 - TSO / TSO's network design
 - **NRA approval process**
 - NRA / NRA's approval to project proposals
 - **Allocation of Capacity**
 - Process for allocation to Users signalling incremental capacity
 - Amount to be allocated (over / under - subject to agreed rules)

Mod Indicative Timeline – CAM Amendments



- Note:
- **Decision required by 30 March** 2017 for 1 April 2017 implementation
 - All dates are subject to confirmation and due process.
 - CAM and Incremental developed at same Mod Dev't WG's

Mod Indicative Timeline – CAM Incremental Changes



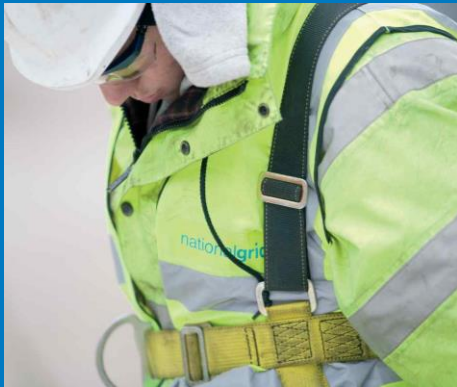
Note:

- **Decision required by 30 June** 2017 prior to 1 July 2017 implementation
- All dates are subject to confirmation and due process.
- CAM and Incremental developed at same Mod Dev't WG's. Incremental has additional dates (**if needed**).

Consultation end 12 May
Submission to 18th May Mod panel

Implementation prior to 1 July 2017

EU Tariff Code Briefing



21st September 2016

EU Tariff Code

- **29/30 June:** 1st Formal MS meeting chaired by EC, discussion only on English version of TAR NC
- **14 July:** Revised text issued and sent for translation
- **14 September:** Final text issued prior to 2nd comitology meeting
 - Latest version of code shows little change from previous version

EU Tariff Code

- **29/30 September:** 2nd Formal MS meeting chaired by EC
 - translated versions also considered
 - Text expected to be approved on 30 September
- Code then submitted for 3 month review by EU Council & EU Parliament
- Entry into Force of TAR NC expected **1 April 2017**

EU Tariff Code – latest changes

- The text of the latest version of TAR NC is largely unchanged from the version of 14 July
- Many of the changes come from discussions between EC and ENTSOG – (mainly clarifications, typos and wrong-cross-references)
- Previous references to NRA approval and decision making replaced by reference to Art. 41(6)a of Directive 2009/73/EC

Art. 41(6)a of Directive 2009/73/EC

- *The regulatory authorities shall be responsible for fixing or approving sufficiently in advance of their entry into force at least the methodologies used to calculate or establish the terms and conditions for:*
 - *(a) connection and access to national networks, including transmission and distribution tariffs, and terms, conditions and tariffs for access to LNG facilities. Those tariffs or methodologies shall allow the necessary investments in the networks and LNG facilities to be carried out in a manner allowing those investments to ensure the viability of the networks and LNG facilities;*

EU Tariff Code – ENTSOG/TSO concerns

- Concerns from some TSOs over quality of translation
 - German TSOs consider that some terms “are not translated as expected”
- ENTSOG still pushing for legacy protection of fixed price contracts to be from “Entry into Force” c.f. 30 September 2016
- Concerns from some MS’s over Art 37 (derogations for interconnectors)
 - Discussion mainly on who should have power to grant derogation i.e. NRA or relevant ministry
- Some debate over potential discriminatory treatment between rules for entry/exit systems covering more than one Member State with more than one TSO (Art. 11) and entry-exit system with more than one TSO in single Member State (Art. 10)

EU Tariff Code – GB issues

- Some push-back from other TSOs on having multipliers of less than 1 for daily capacity products
 - not clearly worded and
 - should only be allowed at congested points
- Discounts applied to storage points may require ASEPs that including a storage entry point to be split (c.f. Bacton)
- Although some articles only applicable to interconnection points, consideration must be given to see if such rules should apply to all points to avoid undue discrimination (e.g. discounts to interruptible capacity, multipliers etc.)

EU Tariff Code – application dates

- **TAR NC sets different dates for implementation of Articles**
- Implementation of TAR requires a phased approach
 - Early implementation dates
 - **Entry into Force (April 2017)** – triggers consultation on charging framework
 - **1 October 2017** – mainly transparency requirements
 - **May 2019** - Main requirements of code
 - new charging methodology; consultation and approval cycle to be concluded no later than 31 May 2019

EU Tariff Code

- Requirements gathering for first phase now underway
 - Initial focus on transparency/publication requirements
 - Some requirements already in place
 - Detailed discussion of requirements for new charging framework being held in NTSCMF within context of Gas Charging Review
 - <http://www.gasgovernance.co.uk/ntscmf>

GB Charging Review

- Overall plan under discussion
 - UNC processes
 - EU tariff Code processes
 - Mapping out timelines to allow development, discussion, and review by industry stakeholders
- Current assumptions for draft plan include
 - EU consultation (without decision) before UNC consultation if possible
 - EU & GB UNC Modification decision (NRA) including Licence changes can happen at same time
 - ACER influence is minimal/relatively quick to accommodate
 - **Target date December 2018 to complete** (align with charges published in 2019)