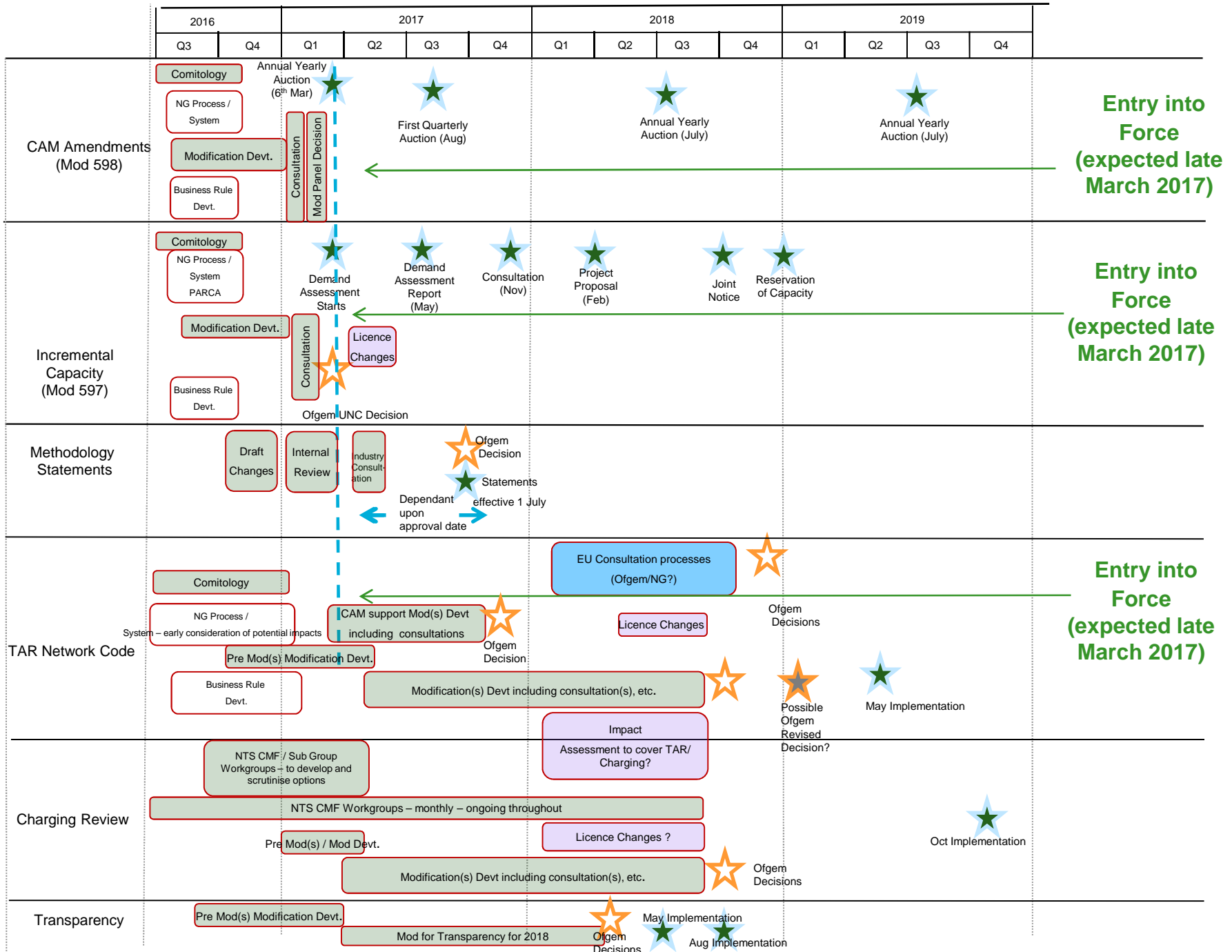


EU Codes Update

26th January 2017

Draft Indicative Timeline



EU CAM Code Update

26th January 2017

CAM Amendments - Mod 0598S Update

- Modification changed to self-governance as now only includes:
 - **Annual Yearly Capacity Auction to move from March to July (from 2018)**
 - **No change to the 2017 auction - opens 1st Monday in March**
 - **Four Annual Quarterly Capacity Auctions to be held during each capacity year (1st Quarterly Auction August 2017)**
- Final development workgroup held 13th Jan
- Mod submitted to 19th January Modification Panel & issued for consultation
- **Consultation period 19th January to 10th February** (in alignment with Modification 0597 (CAM Incremental))
- Expected EIF date late March

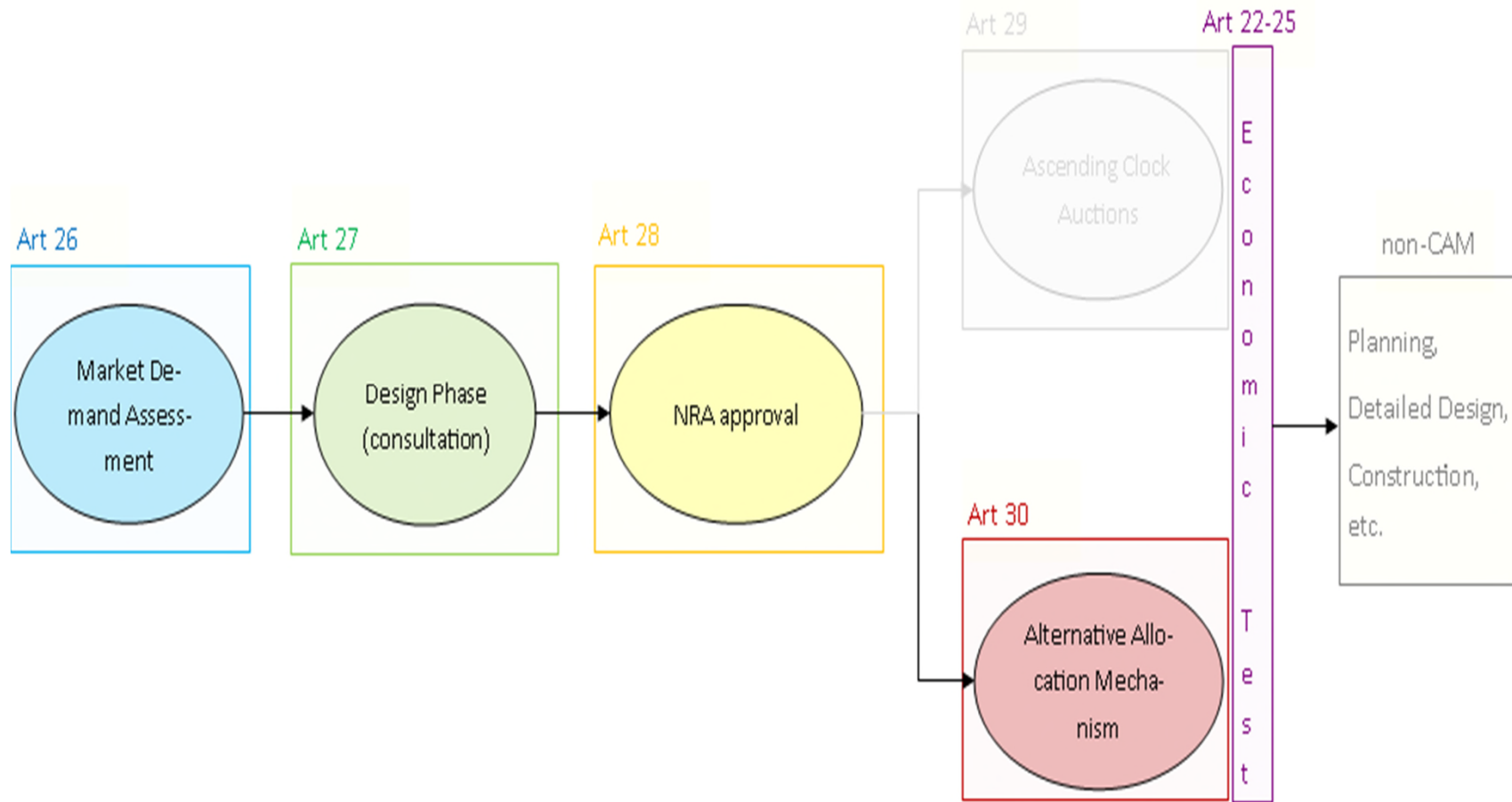
- The modification does not cover TAR related changes
 - A separate Tariff Mod supporting CAM to be raised.

CAM Incremental – Mod 0597 Update

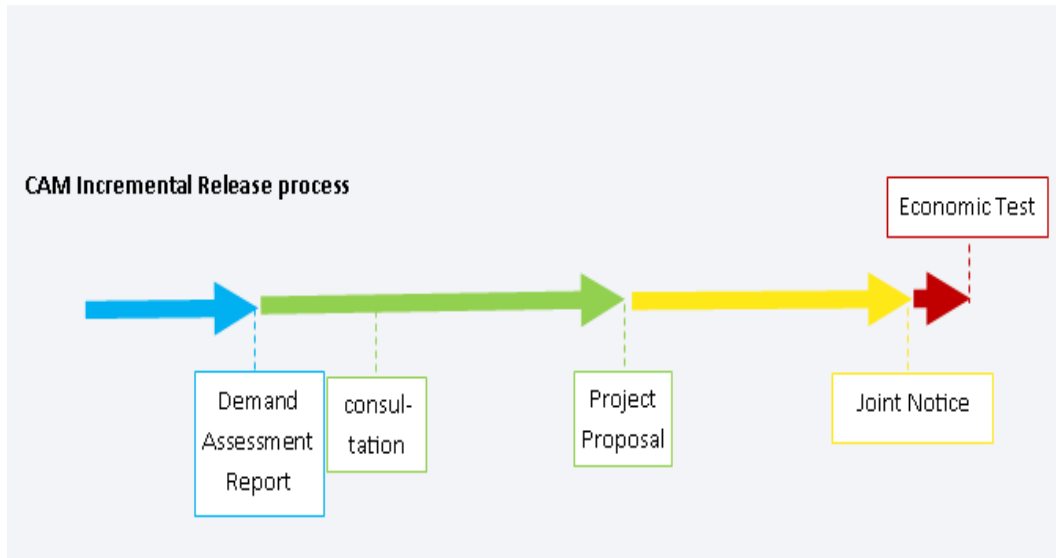
- Final development workgroup held 13th Jan
 - **Modification seeks to align current PARCA arrangements for IPs**
- Mod submitted to 19th January Modification Panel & issued for consultation
- **Consultation period 19th January to 10th February** (in alignment with Modification 0598 (CAM Amendments))
- Expected EIF date late March

- Further changes to the commercial framework are required:
 - Licence updates
 - Methodology updates
 - A separate Tariff Mod supporting CAM to be raised.

CAM Incremental - High Level Phases



Joint TSO Deliverables



Key — CAM Phases



The key deliverables in CAM (identified above) will be issued, or run, by TSOs at the same time, and in some case (e.g. Project Proposal) the deliverable will be issued as a single joint document.

Further CAM Changes Required

- Alignment of Terms and Conditions for the offer of bundled capacity (Article 20)
 - Common template still to be created, which TSO's may apply
- Bundling in case of existing contracts (Article 21)
 - From 1 January 2018, a capacity conversion service shall apply to annual, quarterly or monthly capacity products for bundled firm capacity at that interconnection point
 - Conversion Model to be developed by ENTSOG by 1 October 2017
- Potential 1 day Workshop in Brussels [28th March] to provide information to stakeholders on CAM changes and potential conversion model(s)
- TAR Workshop follows [29th March].

Conversion Mechanism



Provisions of Article 21(3) new CAM NC



As from 1 January 2018, transmission system operators shall offer network users holding mismatched unbundled capacity at one side of an interconnection point a free-of-charge capacity conversion service. Such a capacity conversion service shall apply to annual, quarterly or monthly capacity products for bundled firm capacity at that interconnection point which the network user had to acquire because insufficient unbundled capacity on the other side of the interconnection point was offered by an adjacent transmission system operator. This service shall be offered on a non-discriminatory basis and shall prevent additional charges from being applied to network users for capacity they already hold. In particular, payments for the part of the contracted bundled capacity which network users already hold as mismatched unbundled capacity shall be limited to a possible auction premium. This service shall be based on the conversion model under development by ENTSOG and to be finalised at the latest by 1 October 2017 after consulting stakeholders and the Agency. 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.



Provisions of Article 21(3) new CAM NC



Requirements for the capacity conversion service:

- mandatory service
- free-of-charge
- non-discriminatory
- Conversion of annual, quarterly or monthly firm capacity products
- no additional charges applied to unbundled capacity

Timeline for the capacity conversion service according to CAM NC:

- mandatory consultation of stakeholders and ACER
- finalisation of service until: 1 October 2017
- starting point for conversion service: 1 January 2018



CAM Art 21 - Voluntary Bundling

Article 21

Bundling in case of existing transport contracts

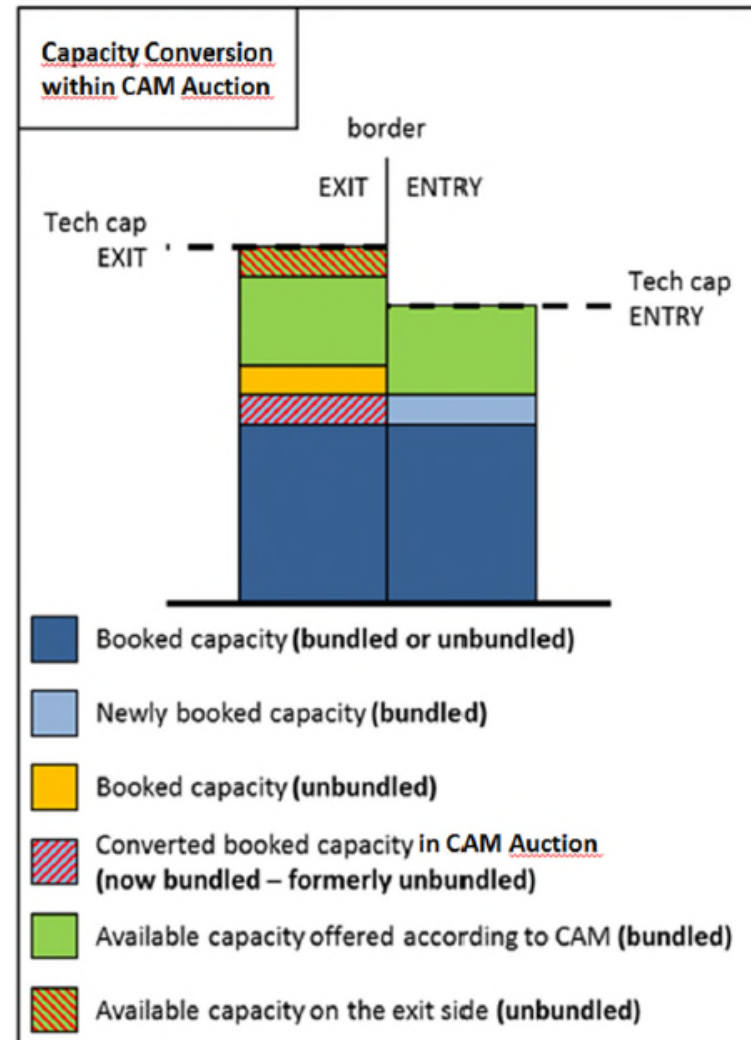
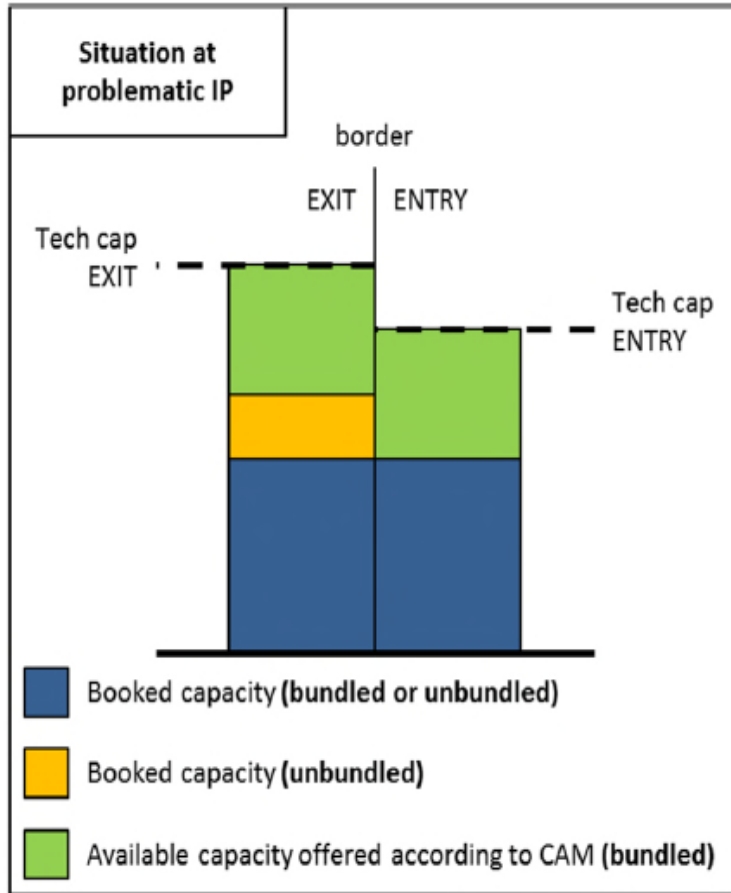
1. The network users who are parties to unbundled transport contracts at respective interconnection points, shall aim to reach an agreement on the bundling of the capacity via contractual arrangements ("bundling arrangement"), in compliance with the provisions set out in Article 19. These network users and transmission system operators shall report to the relevant national regulatory authorities of all bundling arrangements reached by all parties to existing transport contracts.

1. Where a bundling arrangement is agreed upon between respective network users, the transmission system operators involved at the interconnection point shall be informed by the parties of such intended bundling arrangement without undue delay and the transfer of the concerned capacity shall be implemented. In any case, the bundling arrangement shall be implemented subject to the applicable terms and conditions of existing related transport contracts. Once the bundling arrangement is implemented, the relevant capacity shall be treated as bundled capacity.

CAM Art 19.5 – Restriction

1. where there is more available firm capacity on one side of an interconnection point than on the other side for any period considered, the transmission system operator with the most available firm capacity may offer such extra capacity to the network users as an unbundled product in accordance with the auction calendar and the following rules:
 - (a) where there is an existing unbundled transport contract at the other side of the interconnection point, capacity may be offered on an unbundled basis not exceeding the amount and duration of the existing transport contract at the other side;
 - (b) where such extra capacity does not fall under point (a) of paragraph 5, it may be offered for a maximum period of one year;

Potential Example?



Potential options

- Shipper 'surrenders'* **Before** the auction and TSO places into forthcoming auction
- Shipper places unbundled **During** an auction and then buys Bundled
- **Post** auction 'surrender'* of unbundled capacity (as bundled capacity has been obtained via the auction)

- A number of issues need to be considered:
 - Complexity
 - Introduces some risk for shippers
 - The 'surrendered'* capacity may not get sold?
 - Bundled capacity may not get allocated to the requiring shipper (outbid)?

- Note the term surrender is not as defined in CMP Reg

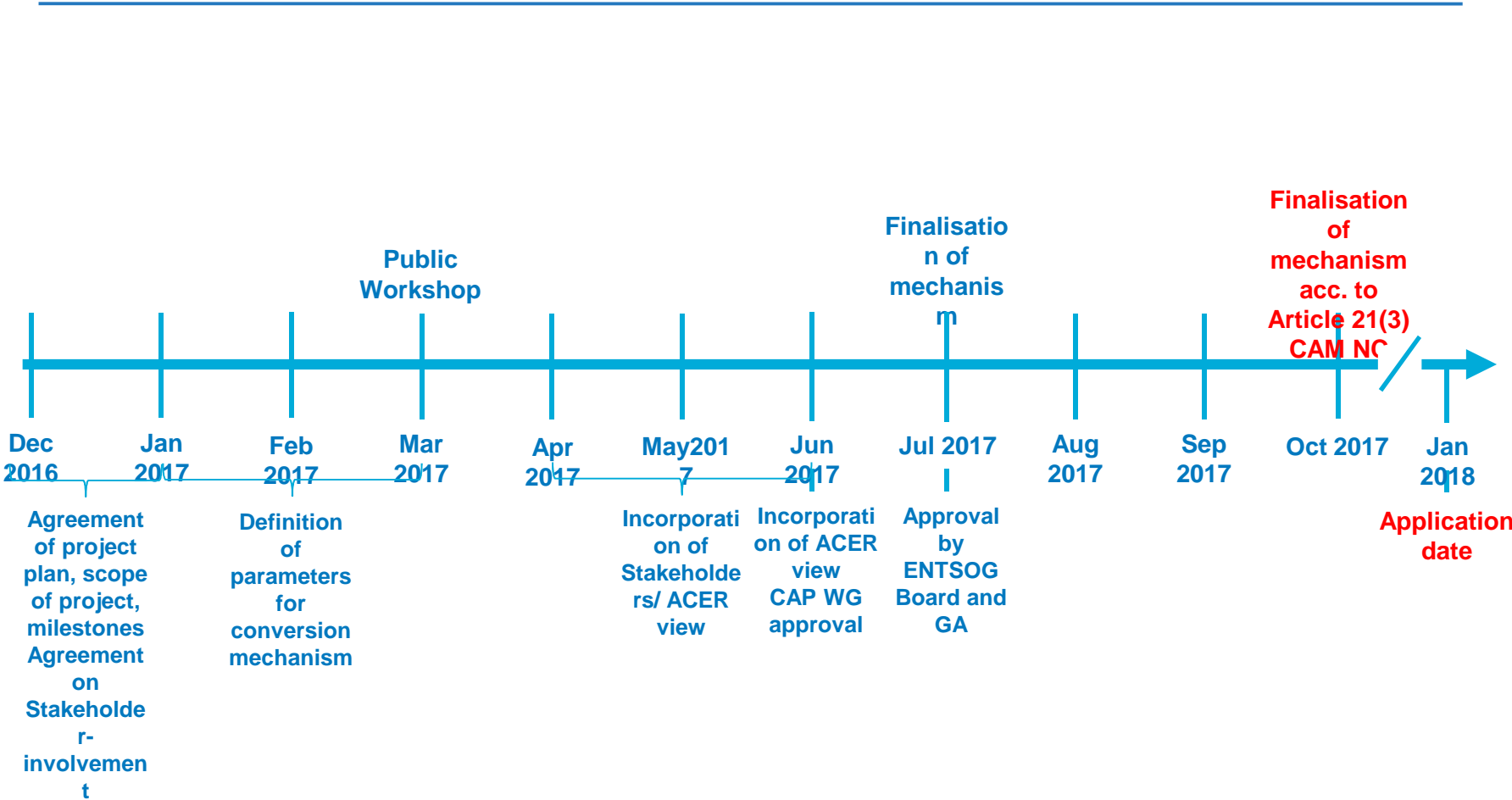
Potential options

- The unbundled may be purchased by another party, whilst the Bundled may be brought by another party also (outbid)
- Does it have to match the quantity and duration of the unbundled booking?
- Which is the payable price (new or old booking)? Plus auction premium
- Which contract (bookings) T&Cs apply, which one is converted the unbundled or new bundled?

- Timelines are short
- Changes needed to Prisma or TSO systems?
- Previous requests for this have been minimal (we understand)

- A simple solution would seem pragmatic.

Timeline for mechanism development



EU Tariffs Code Update

26th January 2017

ENTSOG Activity: Implementation Workshop

- 1-day workshop in Brussels to take place shortly after publication
 - TAR WS will only take place after scrutiny by EU Parliament and EU Council
- Goal of WS is to discuss the whole contents of TAR NC
- Both EC and ACER shall also present at WS
- Tentative date for WS is **29 March 2017**

ENTSOG Activity: Implementation Document

- Document to be completed by end February and approved for publication by ENTSOG Board by mid-March
- Document to support Implementation WS
- Currently 189 pages consisting of:
 - Part 1 'What' - requirements
 - Part 2 'When' - timelines
 - Annexes – explanations and implementation examples

ENTSOG Activity: Effect Monitors

- ENTSOG currently developing what indicators to use for effect monitoring in December
- Agreed list of indicator to be shared with ACER
- Full list of EM indicators to be tested to see if it is possible to gather the data for them. e.g.
 - Tariff changes at CAM and non-CAM points after new r/p/m implementation
 - Evolution of short-term and long-term bookings after TSO implementation
 - Evolution of number of TSOs using Postage Stamp and reasons
 - Comparison of tariffs calculated by CWD and chosen r/p/m

GB Charging Review

- Requirements from TAR NC currently under review
- Sub-group have produced a series of papers on a number of topics (e.g. r/p/m, multipliers, gas vs formula year.....)
 - <http://www.gasgovernance.co.uk/ntscmf/subg>
- UNC Mod(s) raised **Spring 2017**
- Proposed Reference Price Methodology Model to be shared with industry prior to UNC Mods being raised
 - Shall allow Users to model different scenarios and consider impacts of potential changes
- **Target date December 2018 to complete** (align with charges published in 2019)
 - <http://www.gasgovernance.co.uk/ntscmf>

UNC Mod to support CAM amendment

- Tariff code introduces changes to the rules governing the payable price at IPs
 - **Art 25(1):** requires the payable price for firm capacity at IPs to “float”
 - This already occurs with exit
 - **Art 33:** introduces the concept of a mandatory minimum premium to the payable price for incremental release at IPs.
- National Grid to raise mod to align UNC to reflect these changes.
 - See <http://www.gasgovernance.co.uk/tx/020217>

UNC Mod to support CAM amendment

- **TAR NC 25 (1):** *Where and to the extent that the transmission system operator functions under a non-price cap regime, the conditions for offering payable price approaches shall be as follows:*
 - a) *for cases where only existing capacity is offered:*
 - i. *the floating payable price approach shall be offered;*
 - ii. *the fixed payable price approach **shall not be allowed.***
- This applies from **1 October 2017**
- Applicable Daily Rate for Annual Yearly Entry will have to be aligned to that for Exit
 - i.e. adjusted price for year of use

UNC Mod to support CAM amendment

- TAR NC Art 33 Introduces concept of a “Mandatory Minimum Premium”
- May be used to enable positive economic test outcome where “*allocation of all incremental capacity at reference price would not generate sufficient revenues*” to pass test
 - May be applied to incremental release in both auctions and alternative allocation mechanisms

UNC Mod to support CAM amendment

- Mandatory Minimum Premium (MMP) shall have to be included in **EID**:
 - Added to definition of Auction Price
 - **Reserve Price + share of Auction Premium + MMP**
 - *N.B. There are currently no plans to use auctions for incremental*
 - New definition of Applicable Payable Price required for Alternative Allocation Mechanism
 - **Reserve Price + MMP**

UNC Mod to support CAM amendment

- What about incremental capacity at IPs where the “fixed payable price may be offered”?
 - If alternative allocation mechanism used, or
 - Project is listed as a “project of common interest”
- “fixed payable price approach” isn’t same as current concept of “fixed” price
- Cannot be reconciled (risk covered by a risk premium)
- Impacts allowed revenue
- **NG shall not be proposing a fixed payable price in upcoming Mods to support CAM amendments.**

UNC Mod to support CAM amendment

- This requirement has already been shared with industry at both January Transmission WG and NTSCMF
- Aim to have pre-mod discussion at February Transmission WG
- Formal submission for February mod-panel
- Aim for completion beginning Q4 2017.