



All Stakeholders

8th July 2015

Consultation on a Proposed Tripartite Agreement in relation to the Moffat IP

Dear Stakeholder,

National Grid Gas (NGG), GNI (UK) (formerly known as BGE (UK) and Premier Transmission Limited (PTL) are proposing to introduce a tripartite agreement in respect of the Moffat Interconnection Point (IP).

The proposed amendments to the Interconnection Agreement (IA) between NGG and GNI (UK) will be consulted upon separately from this tripartite agreement. The TSOs consider that additional agreements are necessary to record the related arrangements for the Moffat IP. The purpose of this consultation is to seek your views on the proposed tripartite agreement, prior to implementation.

This letter seeks to aid your understanding of the rationale behind these agreements and the process for consultation. There will also be opportunities to meet with us in connection with this consultation as follows:

- NGG hosted meeting: Tuesday 14th July 2015, 10:00 at Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR
- PTL hosted meeting: Tuesday 28th July 2015, 10:30-13:00 at NIAUR offices, 4th Floor Boardroom, Queens House, 14 Queen's Street, Belfast

Changes to the Moffat arrangements have been driven primarily by the introduction of the following EU Network Codes:

- EU Regulation 984/2013 - Capacity Allocation Mechanism in Gas Transmission Systems (CAM);
- EU Regulation 312/2014 - Gas Balancing of Transmission Networks (BAL); and
- EU Regulation 2015/703 - Interoperability and Data Exchange Rules (INT).

The GNI (UK), PTL and NGG tripartite agreement consultation will run concurrently with the following agreement consultations:

1. The Interconnection Agreement between GNI (UK) and National Grid Gas Plc (NGG);
2. A Tripartite Agreement between GNI, GNI (UK) and NGG (the GNI Tripartite).

Interconnection Agreement (IA)

The EU Codes require adjacent Transmission System Operators (TSOs) to enter into an IA for an Interconnection Point (IP) which complies with INT. GNI (UK) and National Grid Gas Plc (NGG) have negotiated the terms of the proposed IA as required by the EU Codes for the Moffat IP.

Tripartite Agreements

Ofgem, the CER and the Regulatory Authority for Northern Ireland (NIAUR) requested GNI (UK), NGG, GNI and PTL to enter into certain arrangements with respect to:

- (a) capacity bundling; and
- (b) nominations matching

by way of Tripartite Agreements.

The PTL Tripartite Agreement is supported by the PTL Transportation Code which is published by PTL and regulated by NIAUR.

All of the NGG arrangements and each of the Tripartite Agreements are supported by NGG's Network Code which is regulated by Ofgem.

Consistent with the IA, the tripartite agreements have been published in their entirety in the interests of context and transparency. Stakeholder views are invited in respect of the annexes only, for the sections of the agreements that affect shippers:

- Annex A: Capacity
- Annex B: Nominations
- Annex C: Allocations.

Background

Company Information

GNI (UK) is the transmission system operator for the gas interconnector pipelines from Moffat in Scotland for the transportation of gas to RoI and the Isle of Man.

PTL is the transmission system operator for the gas interconnector between Twynholm in Scotland (where it is connected to the GNI (UK) interconnector) and Ballylumford in Northern Ireland (NI). PTL is one of the transmission system operators for the NI gas transmission system.

NGG is the owner and operator of the gas National Transmission System (NTS) in Great Britain that connects with the GNI (UK) interconnector pipelines at Moffat. The NTS plays an important role in facilitating the competitive gas market and provides the UK with a secure gas supply. It has a network of pipelines, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. The Network Exit points are connections to Distribution Networks (DNs), storage sites, direct connections to power stations, large industrial consumers and other systems, such as interconnectors.

Rationale for the Agreements

The EU Network Codes (enacted in the form of EU Regulations) have driven changes which affect the arrangements at IPs in Europe. The Codes define a common set of processes across all IPs which facilitate standardisation across Europe, some of which affect shippers. This has resulted in the need for a set of proposed amendments to the IA between NGG and GNI (UK) and the generation of Tripartite Agreements to reflect bundling and nominations processes.

The relevant EU Network Codes are:

Capacity Access Mechanism (CAM)

This Network Code aims to implement a more transparent, efficient and non-discriminatory system for the allocation of transmission capacities. It

aims to further promote cross-border competition and greater market integration.

Balancing (BAL)

The purpose of the BAL Code is to facilitate cross-border gas trading and further development of competitive and efficient gas wholesale markets within Europe. This includes a harmonised daily balancing regime, the co-ordination of nominations procedures, communication procedures and operational balancing between transmission systems.

Interoperability and Data Exchange (INT)

The objective of the INT Code is to facilitate cross-border gas transportation and effective market integration. It requires a minimum set of provisions, for example, in relation to flow control, measurement principles, matching processes and allocation of gas quantities, exceptional events and amendment procedures for the IA. It also includes a common set of units to be applied, the managing of gas quality differences and the monitoring of gas quality and common data exchange solutions.

Arrangements Downstream of the Moffat IP

Under arrangements that apply downstream of Moffat (to which NGG is not party), GNI (UK) has allocated all of the capacity in the GNI (UK) interconnector to GNI and to PTL.

There are also arrangements for the provision of gas to the distribution network at Stranraer in Scotland. The Stranraer distribution network is physically connected to the PTL interconnector (before the pipeline leaves mainland Scotland) and hence Stranraer physically receives its gas via the Moffat IP and the Twynholm offtake point from the GNI (UK) interconnector. Under the UNC, Scotia Gas Networks (SGN) has responsibility for the arrangements to provide the Stranraer network with gas which is currently enabled by SGN acting as a shipper on the PTL network. Whilst Stranraer, under the UNC, is a distribution offtake it is not directly impacted by the requirements of the EU Network Codes relevant to TSOs.

It is proposed that the role of the Moffat Agent in relation to Moffat nominations and allocations will cease when these new 'TSO to TSO' arrangements are introduced with effect from 1st October 2015. The Moffat Agency will be officially retired on the 1st January 2016.

Stakeholder Engagement

GNI, PTL and NGG have continually involved stakeholders on the changes to the EU Network Codes by way of the following:

- NGG has consulted with its shippers at UNC Modification Workgroups for EU Network Code related UNC Modification Proposals throughout 2014 and 2015 (0493, 0500, 0510, 0519 and 0525);
- NGG EU Gas Codes workshop where shippers were able to talk to GNI (UK), PTL, BBLC, IUK, NGG Operations, PRISMA and Xoserve- 23rd January 2015;
- PTL has consulted with its shippers on EU Code related matters via Industry Workgroups throughout 2014 and 2015, and Code Modification Proposals (28, 29, 31, 32, 33 and 34);
- GNI (UK) and GNI have engaged with industry at the Code Modification Forum meetings held throughout 2014 and 2015, including in relation to the following EU Network Code related code modification proposals: A062, A063, A066, A067 and A068; and.
- GNI (UK) / GNI industry workshops held during December 2013 to January 2014 and on 21 April 2015 in relation to the EU Network Codes and the PRISMA workshop for industry held on 03 April 2015.

For NGG, this consultation document forms part of its proposed obligation to consult with its shippers as detailed in its UNC Modification Proposal 0525 in respect of the Moffat IP. Should you require any further information, please click on this link [Mod 525 legal text for retrospective approval for consultation](#) (Part VB – Interconnection Agreements condition 1).

Summary of the Annexes in the Tripartite Agreement

Capacity (Annex A)

This annex has been developed at the request of Ofgem, the CER and NIAUR. In respect of the Moffat IP, these provisions are concerned with:

- The allocation of bundled capacity to PTL and NGG shippers, including surrender and transfer arrangements;
- Co-ordination in relation to interruptible capacity; and
- Capacity maximisation.

Nominations (Annex B)

This annex sets out provisions referred to in the IA relating to the matching of PTL Shipper Nominations with NGG shipper nominations. Nominations may be 'double-sided' or 'single-sided'.

The IA records that NGG is to be the 'initiating TSO' and GNI (UK) the 'matching TSO'. The tripartite records that, in the case of the NGG-PTL-GNI(UK) agreement, PTL shall perform certain functions of the 'matching TSO'.

Allocations (Annex C)

This annex set out the basis on which the TSOs will allocate gas to shippers in respect of the Moffat IP. They make provision for shippers to be allocated according to their nominated quantities (other than on exceptional days) as a result of the Operational Balancing Account (OBA) that is proposed to apply between NGG and GNI(UK) as set out in the IA.

There are some details within the IA on which the TSOs have not yet finally agreed. Where this is the case, such details appear in square brackets.

Consultation Process

GNI (UK), PTL and and NGG are inviting responses from stakeholders in respect of the annexes in the GNI(UK)-PTL-NGG tripartite agreement.

Please send your response in respect of the GNI(UK)-PTL-NGG tripartite agreement no later than Wednesday 5th August 2015 to:

GNI (UK): at marketdevelopment@gasnetworks.ie and to

PTL: at Stephen.English@mutual-energy.com and to

NGG: at box.gas.market.devel@nationalgrid.com.

Please also use these email addresses to submit any questions you may have in respect of this consultation.

Any response not marked confidential will be published on the relevant TSOs' websites.

All of the responses received will be considered jointly by the relevant TSOs after the consultation has closed and a consultation report (or reports) will subsequently be published by 25th August 2015.

The TSOs will then submit the final versions of the agreements to the NRAs for approval in early September 2015 to enable signature prior to 1st October 2015 when the new capacity, nominations and allocation arrangements are scheduled to commence in respect of the Moffat IP.

We look forward to hearing from you.

Yours faithfully,

Avian Egan

Stephen English

Chris Logue

Markets Development
Manager

Gas Contracts
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European Policy
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GNI and on behalf of GNI (UK)

PTL

National Grid Gas

