

GAS MARKET OPERATOR FOR NORTHERN IRELAND

INDUSTRY UPDATE

11TH APRIL 2017



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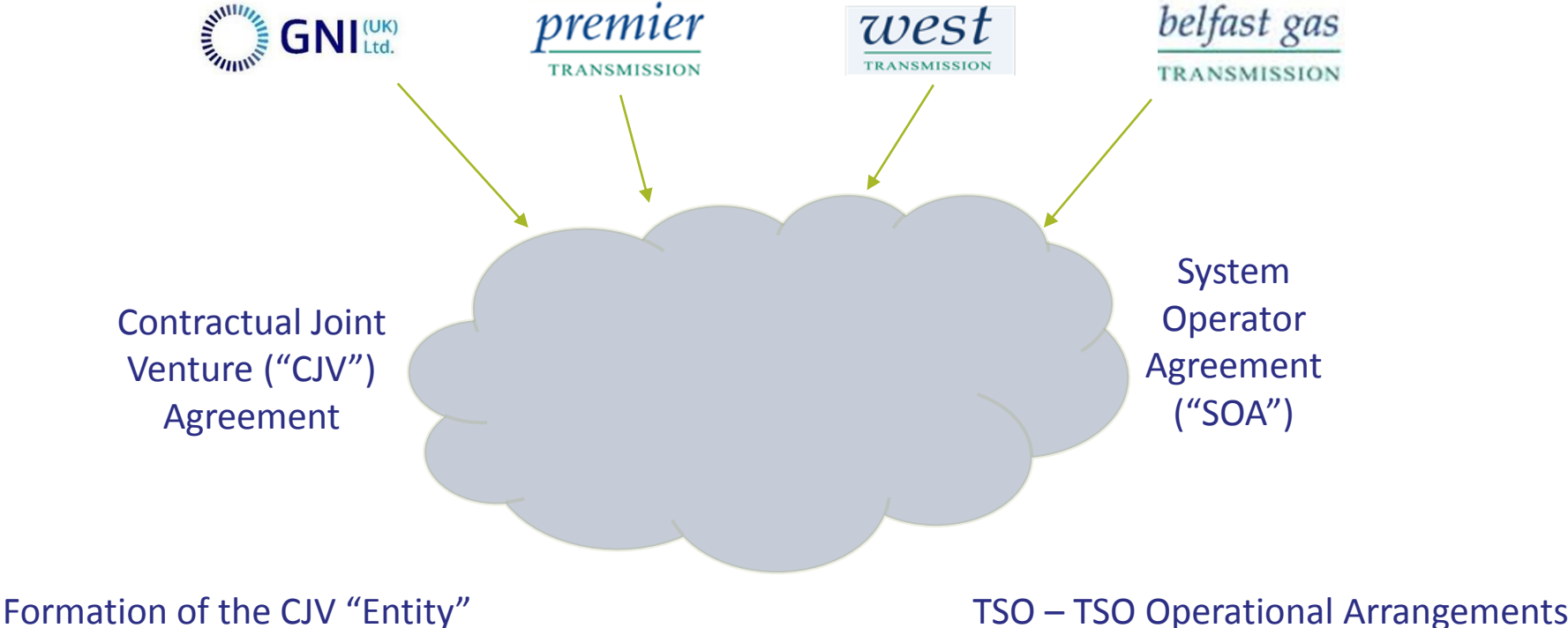
- Overview
- Mobilisation Project Update
- Upcoming Shipper Interaction
- Single Code

OVERVIEW

Overview

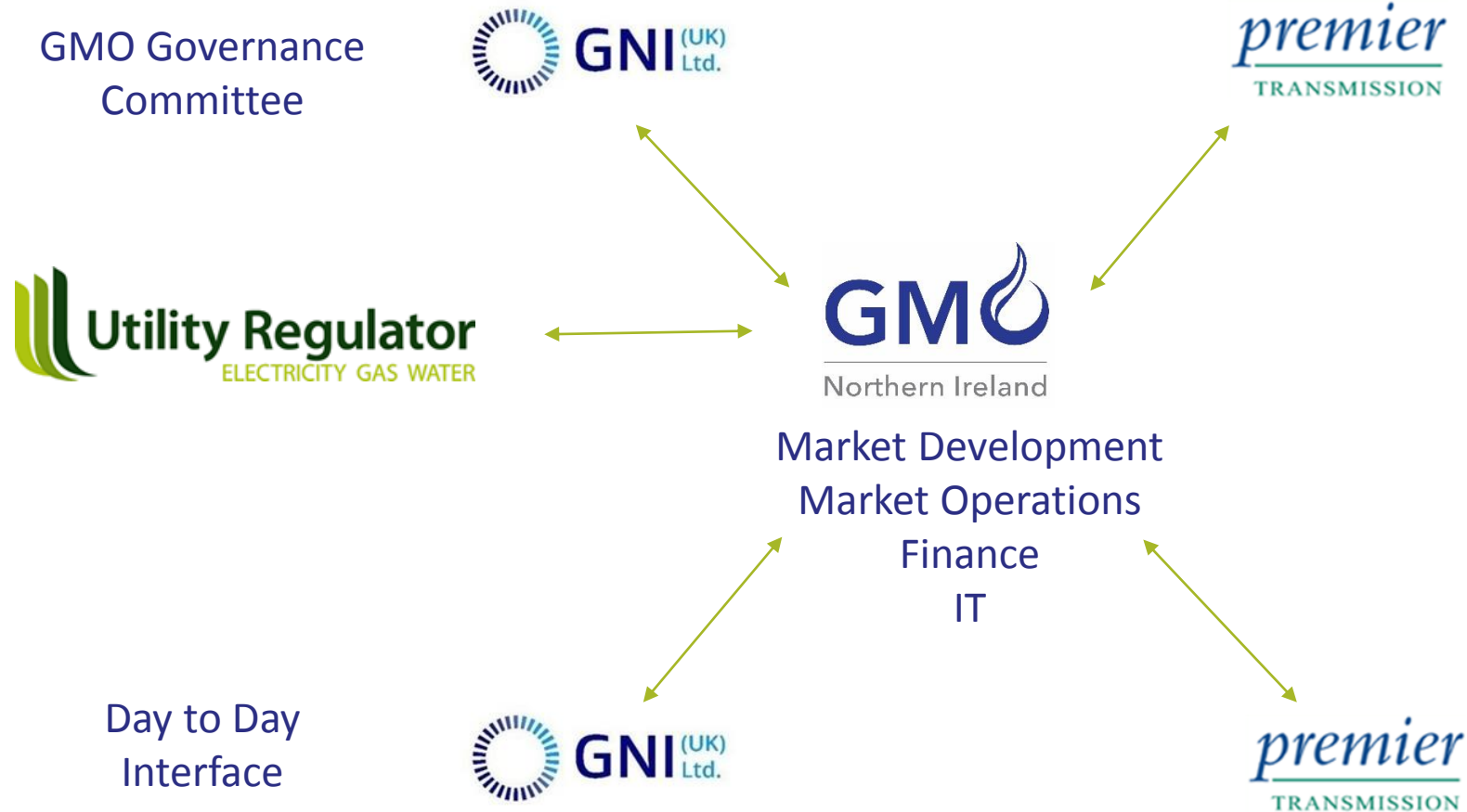
- Name: Gas Market Operator for Northern Ireland / GMO NI
- NI IT System Name: Delphi
- Go Live: 1st October 2017

Overview - Formation



Single System Operator (SSO) Licence Obligation –
Current UREG Consultation

Overview – Structure



Overview - Activities of GMO

- **Primary single Interface for activities relating to NI Commercial (Market) Operation**
 - Administration and operation of the single code
 - Hosting, support and administration of the single IT system
 - Commercial related compliance monitoring and implementation (EU)

- **New Activities for GMO Staff**
 - Postalised System Administration
 - VAT Processing on behalf of both TSOs for Commercial Operation
 - Code Modification Forum Administration
 - 24/7 on call contact
 - Additional IT Functionality – Forecasting Party, Gormanston IP systemisation
 - General Manager will chair any credit committee
 - Governance & Reporting

Overview - Activities remaining with the TSOs

- Physical Operation (24 hr)
- Asset Integrity & Maintenance
- Site specific queries from connected operators/end users
- Physical connection activities (albeit GMO will be a primary contact)
- Balancing of the NI Network
- Licence related activities for the TSO
- **GMO will funnel any non Market related queries/issues to the appropriate TSO**

Overview - Benefits of GMO

- Efficiencies due to single code, IT system and interface (no duplication)
- Shipper engagement experience will be easier, quicker and overall more enhanced
- One entity focused on the Northern Ireland commercial gas market

Overview - Shipper Specific Benefits

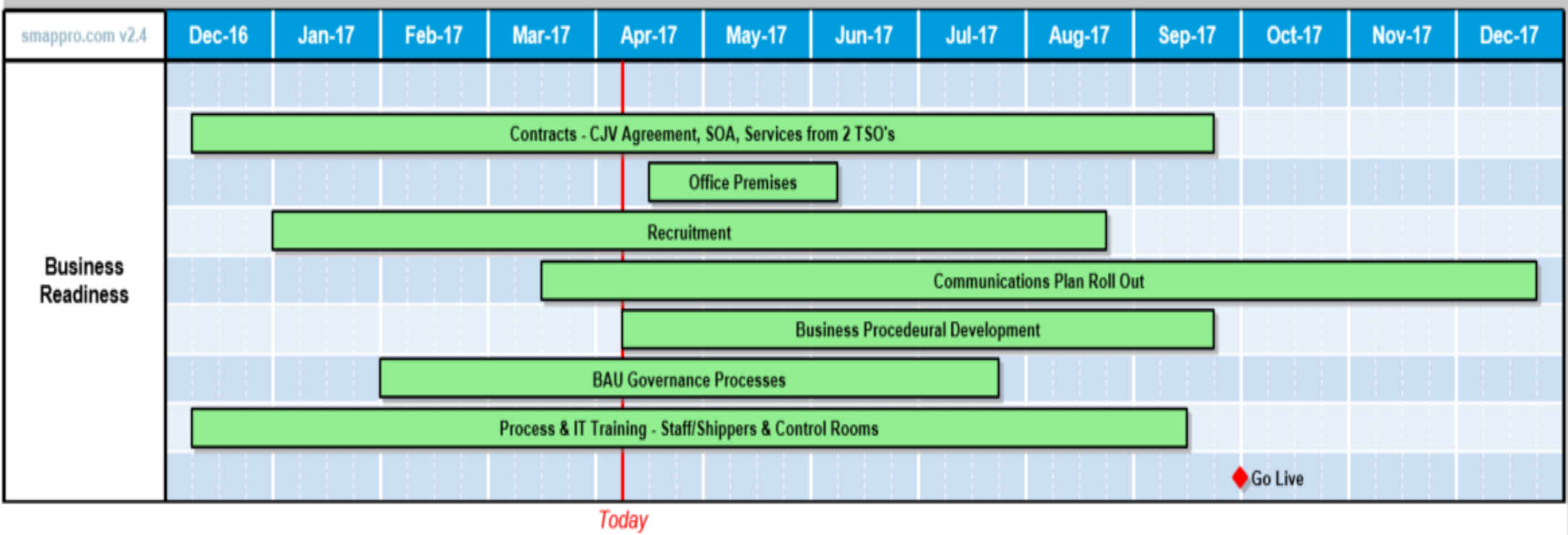
- One point of contact focussed on and for only NI gas market activities (including 24/7 support)
- One single code – accession processes, ongoing interaction
- One IT system – nominations, allocations, reporting, viewing invoices
- Invoicing from GMO only
 - 2 invoices per Shipper
 - Transportation (Licence) & Energy Balancing (Code)
- Code Mod Forum – increased engagement

MOBILISATION PROJECT UPDATE

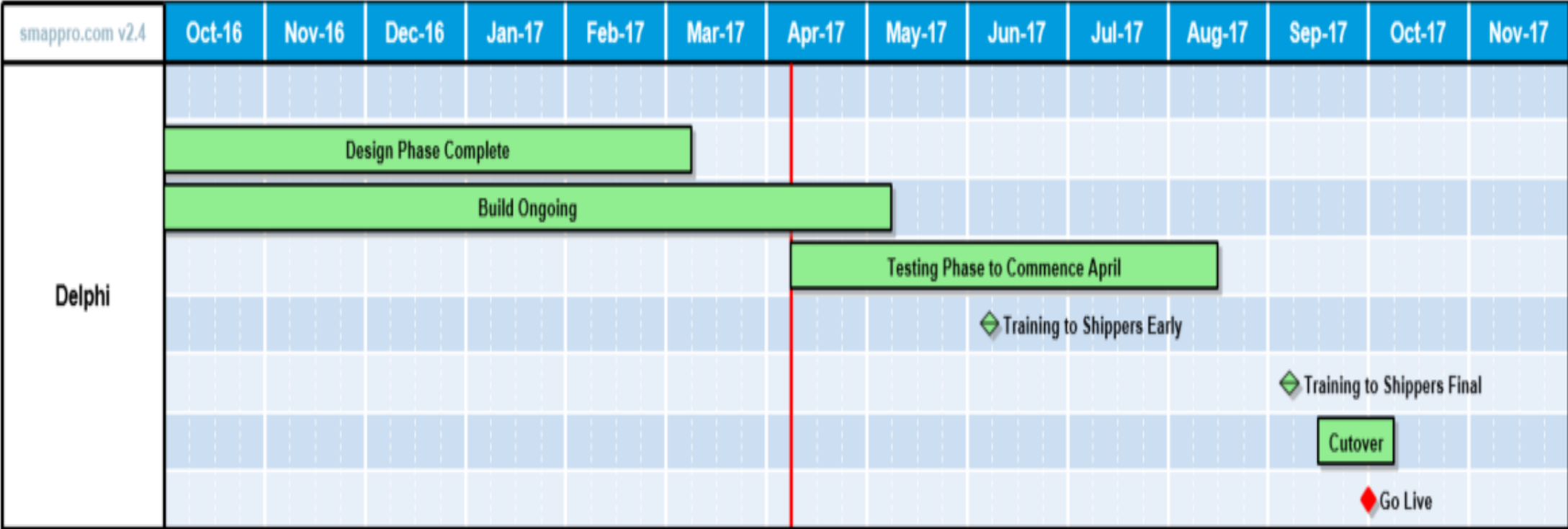
Mobilisation Project Update

- Go Live 1st October 2017 – on target
 - Business Readiness
 - IT Readiness
 - Code Readiness

Business Readiness



IT Readiness



Today

UPCOMING SHIPPER INTERACTION

Shipper Interaction

- 27th June 2017
 - Code Transition Interaction
 - Early View of IT & Cutover

- September
 - Final Code Interaction
 - Cutover Details
 - Final IT Training – dates TBC

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SINGLE CODE

Single Code Introduction

- One of the key aspects of the Single System Operator model is the development of a single gas transmission code across all networks
- There are 4 TSOs who each own and operate separate parts of the gas transmission pipelines and associated infrastructure in Northern Ireland
- Each TSO currently has its own gas transmission code, which forms the contractual basis for gas transmission with its respective customers
- Significant changes to processes were represented in modifications to the Network Codes in October 2015
- The TSOs ensured that the text for the Code Modifications for the implementation of the EU Network Codes in October 2015 was as harmonised as possible

Single Code Introduction continued

- During 2016, the TSOs undertook a detailed comparative review of the existing NI Codes to develop the high level approach to the production of a Single Code
- The PTL, GNI(UK) and WTL Codes are very highly aligned with very few substantive differences
- As a result, much of the approach to preparing the Single Code is simply to bring the existing WTL, PTL and GNI (UK) Code texts together
- The TSOs consulted on the approach to the development of the Single Code during November / December 2016
- The TSOs expect that the implementation of the Single Code should not, per se, have a significant impact on Shippers in terms of their day to day business processes

Recap – Key Changes

- **Legal Framework**

- All the existing parties who are Shippers under one or more of the existing NI Codes will be asked to sign the Framework Agreement, and each of the TSOs will also sign the Framework Agreement
- The Framework Agreement will simply set out that the parties all agree to utilise the terms of the Single Code

- **The Transporter**

- A key objective of the Single Code is to provide a single interface for Shippers when interacting with the TSOs
- Although each TSO will separately sign the Framework Agreement, it is expected that the TSOs will generally be referred to in the Single Code as a single unit – ‘the Transporter’

- **Role of Distribution Network Operators**

- The implementation of the Single Code provides an opportunity to clarify the roles of the DNOs
- They are responsible for booking and paying for transmission capacity at the exit points into the distribution networks
- DNOs do not make nominations or get allocations of gas under the Codes

Recap – Key Changes

- **Demand Forecasts**
 - For the purposes of compliance with the Balancing Network Code (EU 312/2014) the TSOs are required to implement arrangements whereby certain forecast consumer demand information is provided to Shippers via the TSO
 - This information is currently provided to Shippers by the relevant DNO to whose distribution network the consumer is connected
- **Nominations**
 - The Single Code will contain all the rules for both Matching and Initiating TSOs, and specify which applies for which IP
 - The current approach to Trade Nominations will be slightly modified to align with current GTMS functionality
- **Exceptional Events and Emergencies**
 - In respect of the arrangements with Shippers in an Emergency, the Codes are all highly aligned, as they are required to be so
 - In respect of the arrangements for constraints/Exceptional Events there are some differences which are largely down to slightly differing definitions of the circumstances of a constraint
 - The approach is to harmonise and combine the definitions used in all the Codes to cover all the potential constraint scenarios

Recap – Key Changes

- **Title Transfer**

- In the context of a Single Code relating to the NI Network which has multiple operators, it is necessary to also describe how title is transferred within the NI Network at the points where the TSO's systems physically connect with each other
- It is agreed that it would be tidy to create a short new section containing the provisions for Title Transfer

- **Liabilities**

- The TSOs are not proposing any material changes to the structure for liabilities or indemnities under the Codes
- However, in the CJV context, the 'Transporter' in the Code will be all of the TSOs together
- Where a Shipper brings a claim against 'the Transporter' it will effectively be a claim against all of the TSOs together, and where applicable, the CJV team will make arrangements for any appropriate payments
- Arrangements in the CJV Agreement will describe how the joint liabilities under the Codes would be treated, should they ever be incurred

Recap – Key Changes

- Invoicing and Credit
 - No change to 'Policy' on financial security levels
 - CJV team will operate all the code rules and processes (including the disbursement account) on behalf of all the TSOs
 - Single Code must contain all the rules – Code invoicing currently under the PTL Code
 - Credit Committee Terms of Reference will be refined in CJV context

Single Code - Benefits for Shippers

- A single reference point for transporting gas through the NI Transmission network
- One code modification process instead of four
- One team managing the Code – a single point of contact
- Process efficiencies:
 - Shippers will no longer be required to accede to other Codes if expanding into other markets
 - i.e. No accession to the WTL Code required to operate in Gas to the West – straightforward registration at the Maydown Exit Point
 - Shippers will no longer be required to book capacity at Belfast Gas Exit Points 2 and 3
 - Shippers will no longer have to nominate at Internal Connection Points
 - Credit requirements will be determined for the whole network which means that Shippers will no longer have to provide multiple forms of credit
 - i.e. One Letter of Credit can be made out to all of the TSOs instead of providing four

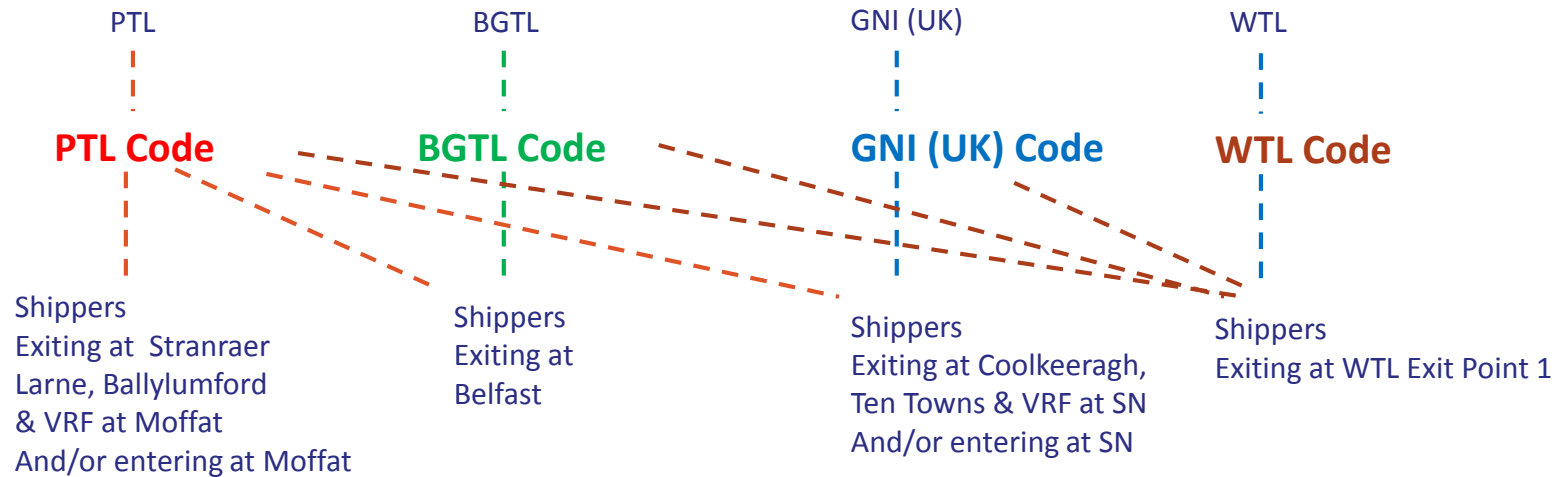
Single Code Consultation

- The TSOs will be consulting on the proposed Single Code text
- The intention is that the Consultation documents shall including comparisons with existing text
- Consultation will commence on 24th April 2017
- Consultation period: 4 Weeks
- The TSOs will prepare a post consultation report and submit to UR along with any changes required as a result of the consultation
- The TSOs are targeting approval of the Single Code in June 2017 to facilitate the contractual transition

Existing Codes Consultation

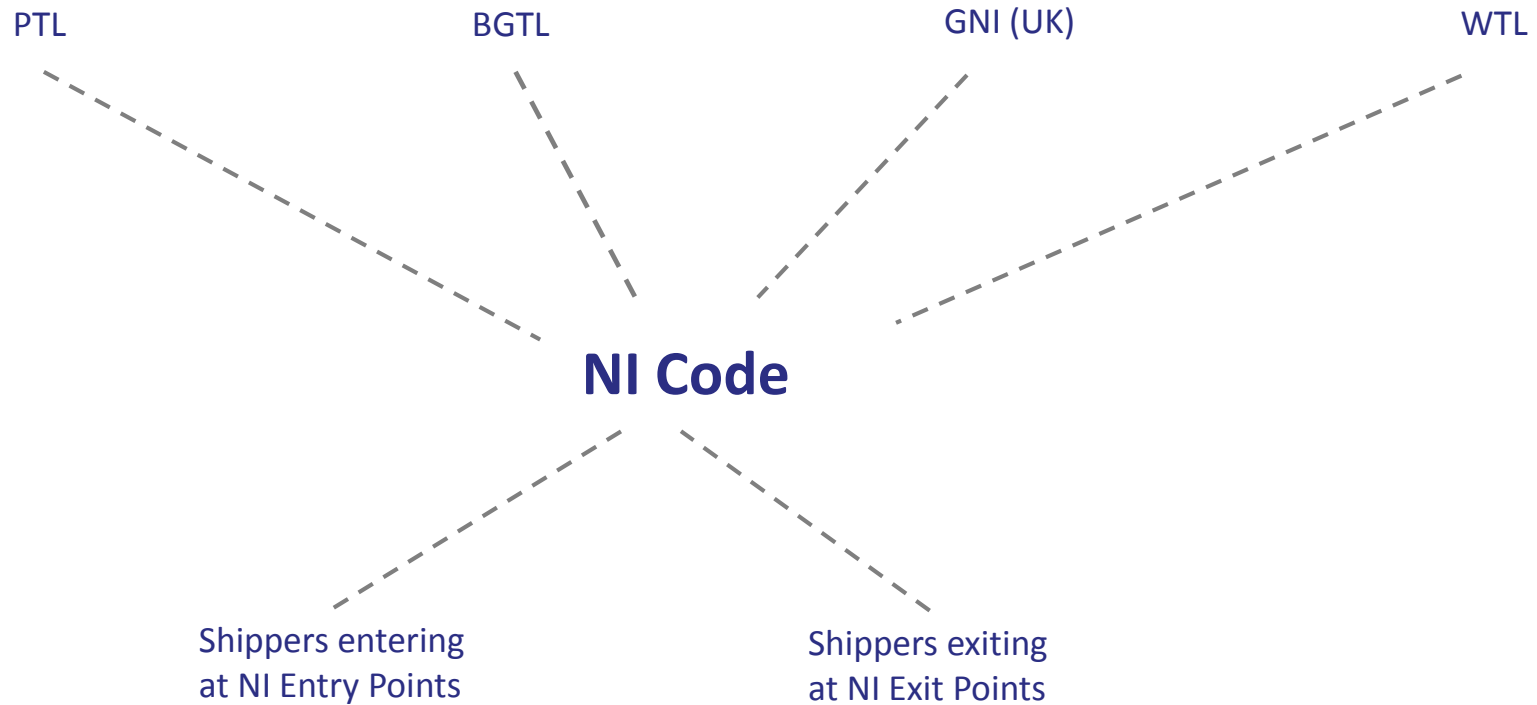
- The existing 4 Codes will be replaced by the Single Code
- However, some activities post October 2017 will still be carried out under the terms of the existing Codes i.e. Shippers invoiced in October 2017 for activity in September 2017
- The TSOs will consult on modifications to the existing Codes to manage the transition
 - Similar approach taken when transitioning to Entry / Exit regime in October 2015
- Consultation will take commence in May 2017

Recap - Current Code Contractual Framework



- Shippers accede to each of the Codes of the TSOs whose networks they will be using
- All Shippers accede to PTL Code for energy balancing purposes
- WTL Shippers also accede to GNI (UK) Code and BGTL Code

Single Code Contractual Framework



Contractual Implementation - Framework Agreement

- The TSOs are planning to implement the new Single Code by introducing a Framework Agreement
 - Industry had early sight of the Framework Agreement in February
- All the existing parties who are Shippers under one or more of the existing NI Codes will be asked to sign the Framework Agreement
- Each of the TSOs will also sign the Framework Agreement
- The Framework Agreement will simply :
 - Set out that the parties all agree to utilise the terms of the Single Code
 - Provide the legal means for all Shippers and TSOs to agree how to admit new Shippers after the date of signature of the Framework Agreement
 - All the initial signatories of the Framework Agreement give their permission for the CJV General Manager to 'sign up' new Shippers

Contractual Implementation - Framework Agreement continued

- Parties who wish to sign up as a Shipper after October 2017 will be asked to sign an Accession Agreement
 - Joining them to the Framework Agreement, and hence:
 - Contractually binding them to the provisions of the Single Code along with all the other parties
- The GMO General Manager will sign Accession Agreements on behalf of all the parties

Contractual Implementation - Framework Agreement continued

- Subject to approval of the Single Code legal text by the Utility Regulator, it is anticipated that the Framework Agreement will be signed by existing Shippers and the TSOs in the period July 2017
 - TSOs keen to ensure credit for GY17 is placed under the Single Code
- The Framework Agreement will be entered into via separate counterparts
- All parties need to have their respective internal arrangements in place for execution
- Failure to sign up by the execution date (target 31st July 2017) will require the Shipper to accede using the Accession Agreement
- Further delay may result in the Shipper not being able to ship gas come October 2017
- A 'Transition Section' of the Single Code will provide for the start date of relevant processes which must occur prior to the start of the new gas year
 - Similar/corresponding provisions to be added to the existing Codes to transition Shipper's existing rights into the new Code regime
- The main operational provisions of the Single Code will be effective from 1st October 2017

Next Steps

- 24th April 2017: Single Code consultation commences
- May 2017: Existing Codes Consultation
- June 2017: Single Code Approval (Target) / Industry workshop
- July 2017: Execution of Framework Agreement
- August / September 2017: Credit determination and placement under Single Code
- September 2017: Industry workshop
- October 2017: Main operational provisions of Single Code in effect

QUESTIONS
