

DPO's paper on streamlining the Transportation Arrangements on the Postalised Network

1.0 Introduction

The current transportation arrangements on the Postalised Network were developed by The Northern Ireland Authority for Energy Regulation (NIAER) and the Designated Pipeline Operators (DPO's) in conjunction with Industry during 2003 and 2004.

The current arrangements were approved by NIAER and implemented in the DPO's Codes and associated inter-operator agreements in Q4 2004 to allow for the introduction of the North-West Pipeline (NWP) in conjunction with postalisation of the tariff regime.

NIAER issued a consultation paper in July 2005 on introducing the South-North Pipeline (SNP) into the postalised network. Many of the respondents to the paper, including the DPO's identified possible opportunities to rationalise and streamline the existing arrangements.

NIAER have requested the DPO's to develop a paper on streamlining the regime and to develop a proposal for the treatment of the Lisburn offtake.

The following paper outlines the DPO's initial thoughts on how the transportation arrangements on Northern Ireland may be rationalised and streamlined based on 18 months experience of operating the Postalised Network.

The focus will initially be on developing those arrangements required for the introduction of the South-North Pipeline scheduled for Q4 2006 and the introduction of the single balancing zone on the Postalised Network including free flow at Carrickfergus, as benefits for this mode of operation have been identified in the Pressure Report completed by the DPO's in December 2005.

Other benefits identified for streamlining the regime include rationalisation of shipper arrangements, potential for the reduction of balancing actions, increased and more competitive balancing sell options, increased effectiveness of operator to operator communication and the introduction of the South-North Pipeline, and associated offtakes (including Lisburn) into the Postalised Network in manner which builds on current Code and Licence arrangements.

One of the key benefits of the DPO's proposal is that it will allow Shippers to balance between their Entry Point and their Exit Point from the Postalised network. The proposal is a further development of the current arrangements where a single Daily Gas Price is used to cash-out Shippers on the Postalised Network which takes account of balancing actions throughout the Postalised Network. It is proposed that these be further developed to allow for single disbursement account on the Postalised Network which will be jointly managed by BGE(NI) and PTL, thus streamlining the existing arrangements for Shippers on the Postalised Network.

This will also facilitate the introduction of the Lisburn offtake which will be a fourth physical offtake from the Postalised Network to Greater Belfast and will allow the current arrangements for cash-out and balancing be extended to this fourth physical offtake for Greater Belfast.

2.0 Capacity

Capacity booking on the Postalised Transmission Network for the Phoenix Distribution Network in Greater Belfast

Currently for gas offtaken into the Phoenix Distribution Network to Greater Belfast, Transmission capacity bookings are required on the SNIP Pipeline under the PTL Code and on the PTP under the Phoenix Transmission Code.

To enable gas to flow to the Lisburn offtake into the Phoenix Distribution Network from SNP, a capacity booking will also be required on the NWP and SNP under the BGE(NI) Transmission Code.

Booking of the capacity

Under the NIAER approved Distribution transportation arrangements for Belfast Phoenix Distribution book and hold Transmission capacity on the Postalised Network on behalf of all PS Gas Suppliers wishing to ship gas through its Distribution Network. It is proposed to extend this arrangement to include capacity required under the BGE(NI) Code in addition to that already booked under the PTL and Phoenix Transmission Code This is consistent with the current regime on the SNIP pipeline where Phoenix Distribution holds the necessary capacity for all PS Gas Suppliers supplying consumers in the Greater Belfast area. This capacity booking method undertaken by Phoenix Distribution was at Ofreg's request, as it was believed that this method supported the introduction of supply competition in the Phoenix Distribution area.

Under the current PTL regime a Shipper on the SNIP pipeline can only secure capacity for a minimum period of 12 months. Under the Phoenix Distribution code a consumer can change supplier with 15 Business days notice. The Shipper who is currently supplying this consumer would then be left with capacity it no longer required and the new Supplier would need to book additional capacity.

With Phoenix Distribution holding the necessary capacity the hoarding and the unnecessary double booking of capacity is prevented.

Implications for Phoenix Distribution

Phoenix Distribution would need to accede to the BGE (NI) Transmission Code and book and hold Capacity for the Lisburn offtake from SNP.

PS Gas Suppliers Shipping gas to the Phoenix Distribution Network who currently accede to the PTL and Phoenix Transmission Code, would also need to accede to the BGE(NI) Transmission Code.

Phoenix Distribution would pass the costs associated with Transmission Capacity on the Postalised Network to the relevant PS Gas Suppliers in Belfast based on a commodity pro rata basis.

Level of capacity required

The actual level of capacity required to be booked at the Lisburn offtake will be difficult for Phoenix Distribution to determine as this offtake will be used to manage Network constraints, help maintain the necessary pressures on the Distribution Network and manage consumer demand on a daily basis. The actual capacity booked is likely to be a nominal figure in year 1 which becomes more accurate after several years offtake at Lisburn.

Issues for Phoenix Distribution

Capacity overrun charges are not currently included in the Postalised Network Transmission Codes, therefore the risk of Shippers being exposed to PS Code charges for offtaking gas in excess of booked capacity does not exist. The DPO's propose that if Capacity Overrun charges are introduced on the Postalised Network in the future, offtakes to a Distribution Network should be looked at on an aggregate basis.

Phoenix Distribution would need to be certain that if any overrun charges were applicable in the future that these charges could be passed on to Gas Suppliers.

Postalised Transmission Capacity Charges

As Phoenix Distribution would exit the postalised Network at both Phoenix Exit Point 1 and at the Lisburn Offtake on the South North pipeline it will be required to pay two sets of capacity charges to two DPOs, one to Phoenix Transmission and the second to BGE (NI), however Phoenix Distribution would not be required to pay twice for capacity on the Postalised Network

The following example illustrates the methodology for paying for capacity proposed: -

- Phoenix Distribution hold 90 units at Phoenix Exit Point No. 1 under the PTL Code and Phoenix Transmission Code
- Phoenix Distribution hold 10 units at Phoenix Exit Point No. 2 under PTL Code and Phoenix Transmission Code
- Phoenix Distribution hold 10 units at the Lisburn Offtake under the BGE(NI)Transmission Code
- Phoenix Distribution will be invoiced 90 units (100-10) by Phoenix Transmission
- Phoenix Distribution will be invoiced 10 units by BGE (NI) Transmission

Therefore aggregated payments equal to 100 units, which is the total transmission capacity required even though it is off three separate pipelines and booked under three Codes.

Phoenix Distribution will pass these postalised transmission capacity charges on to the relevant Shippers/PS gas Suppliers pro rata to the total aggregated amount of gas flow at all four Greater Belfast offtakes.

How does this impact on capacity held by Phoenix Distribution on the Phoenix Transmission pipeline

Under the terms of the Phoenix Transmission Network Code a Shipper is deemed to hold the same capacity on the Phoenix Transmission System as that held on the PTL System Therefore Phoenix Distribution holds the same level of capacity on SNIP and the Phoenix Transmission Network.

Phoenix Distribution still needs to hold the same capacity on Phoenix's Transmission pipeline however Phoenix Transmission is not obliged to invoice Phoenix Distribution for transit Capacity as per 2A.2.2.5 of the Licence.

Postalised Transmission Commodity Charges

Phoenix Transmission currently invoices postalised commodity charges based on commodity allocations at Distribution level.

For example, if Supplier 1 is allocated 90% of the total gas throughput by Phoenix Distribution then Phoenix Transmission will charge 90% of the postalised commodity charges to Supplier 1.

With the introduction of the Lisburn offtake Suppliers in Belfast will accede to the BGE(NI) Network Code. Under the current Licence and Code arrangements BGE (NI) would raise the necessary invoices for both capacity and commodity at the Lisburn offtake from SNP. As it will not be possible to determine allocations by individual Supplier at the Lisburn offtake it is proposed that Phoenix Transmission would invoice all postalised commodity charges to PS Gas Suppliers based on total aggregated flows at the four Greater Belfast offtakes.

3.0 Nominations

Current Nomination Arrangements

- NWP/SNP Shippers nominate an end of day quantity and profile to BGE(NI) and enter Carrickfergus counterparty information via GTMS.
- SNIP/PTP Shippers nominate an end of day quantity and profile to PTL and enter Moffat counterparty information via GTMBS.
- All Shippers may enter either firm or interruptible nominations on GTMBS.
- SNIP/PTP Shippers who transit gas and exit at Carrickfergus enter a Nomination and both Moffat and Carrickfergus counterparty information on GTMBS, but are not required to enter a profile on GTMBS. They enter their profile on GTMS and this information is aggregated by BGE(NI) who request a profile from PTL at Carrickfergus.

PTL aggregate NI Shipper nominations, both end of day quantity and profile and nominate to BGE(UK) for Transportation from Moffat to Twynholm. This information is entered into GTMS.

PTL also submit a nomination to the Moffat agent including a breakdown by upstream NTS Counterparty and this is also entered into GTMS.

Streamlining proposal for nomination arrangements

SNIP/PTP Shippers

- SNIP/PTP Shippers continue to nominate to PTL for transportation via GTMBS
- SNIP/PTP Shippers exiting gas at Carrickfergus will not be required to enter Carrickfergus counterparty information.

NWP/SNP Shippers

- NWP/SNP Shippers continue to nominate to BGE(NI) for transportation via GTMS
- NWP/SNP Shippers who transit gas through Carrickfergus continue to nominate on both systems i.e.
 - nominate End of Day Quantity and profile to BGE(NI) on GTMS.
 - nominate End of Day Quantity and Moffat Upstream Counterparty breakdown on GTMBS.
- NWP/SNP Shippers will not be required to enter Carrickfergus counterparty information on either GTMS or GTMBS.
- BGE(NI) will continue to provide an aggregate profile to PTL for offtake at Carrickfergus. PTL will use this for system management.

GTMS-GTMBS interface

It is proposed to automate this process via a GTMS – GTMBS interface. This interface will also be used between PTL and BGE(UK) at Twynholm.

BGE(NI) and PTL will continue to investigate options to further streamline the nomination process for Shippers who nominate on both GTMS and GTMBS, however it should be noted that under this proposal the Carrickfergus counterparty matching information is no longer required to be entered by Shippers transiting SNIP/PTP, and the only duplicate information entered by Shippers is reduced to a single end of day quantity number on both GTMS and GTMBS.

The DPO's feel that the interface between GTMS and GTMBS should be developed in two phases to ensure a robust and cost effective solution is implemented;

- Phase one - an operator to operator interface at Carrickfergus and Twynholm
- Phase two - a single Shipper facing interface into the two systems

Nominations for Greater Belfast and the Lisburn offtake

It is proposed that shippers to Belfast will input a single aggregate nomination for the four physical Greater Belfast exit points on GTMBS (Larne Torytown, Knocknagoney and Lisburn). The three existing exit points are on the PTP but Lisburn will be a physical exit point from the SNP.

A shipper to Belfast will not be required to enter a nomination for the Lisburn offtake on GTMS but will acknowledge in the BGE(NI) Transmission Code that the Transporter BGE(NI) will use the previous days allocation as the nominated amount for the Day D.

It is anticipated that this nomination information will be used by the BGE(NI) only in exceptional circumstances such as capacity restrictions or emergencies.

4.0 Allocation – Streamlining Proposal

Allocations for Shippers Exiting SNIP

It is proposed that there will be no change to the process for allocating shippers exiting SNIP. The SNIP Agent will continue to input the Moffat Agent allocation for entry and the metered quantity will be allocated at Exit. The Shippers will balance between Moffat and their Exit Point from the Postalised Network. The shipper's imbalance will be calculated on GTMBS.

Allocations for Shippers Exiting NWP/SNP

It is proposed that Shippers' imbalance will be calculated by BGE(NI) on their Moffat Entry Allocation and their metered Exit allocation from the Postalised Network. This will be calculated on GTMS. It is proposed that the Moffat Agent Entry allocation will be sent automatically to BGE(NI) through an interface between GTMS(NI) and GTMS(MAA).

Shippers will be allocated the metered quantity at their Exit Point from the postalised network.

Shippers will not receive an allocation at Carrickfergus under the BGE(NI) Code or the PTL Code. Currently they are allocated at Entry to SNP/NWP under the BGE(NI) Code and allocated at Exit from SNIP/PTP under the PTL Code.

Allocation for Shippers to Greater Belfast

The current Distribution Transportation arrangements contemplate Phoenix Distribution booking capacity on the postalised transmission network for all shippers to Belfast. The current arrangements require all PS Gas Suppliers to become Shippers by acceding to the Phoenix and PTL Transmission Codes and nominating on an interruptible basis against the Phoenix Distribution Capacity. (This includes Phoenix Supply). The existing three Belfast physical exit points are treated as a single aggregate exit point for the purpose of calculating imbalances on the SNIP/PTP pipeline. Imbalances are calculated on GTMBS.

It is proposed that this arrangement will be expanded to incorporate Lisburn and that the gas metered at the Lisburn offtake from SNP will be added to that metered at the three existing PTP physical offtakes by a Scada system interface. It is understood that Phoenix Distribution will allocate the gas to Belfast Shippers PS Gas Supplier at Belfast in accordance with Section D of the Phoenix Distribution Code and these allocations will be entered on GTMBS. It is proposed that Belfast PS Gas Suppliers imbalances will be calculated on GTMBS. This will require the meter information from Lisburn to be linked into GTMBS via Scada.

5.0 Balancing the Postalised Network

Current Balancing Arrangements

The Postalised Network currently comprises two separate balancing zones;

- The SNIP/PTP balanced by PTL
- The NWP/SNP balanced by BGE(NI)

PTL balance the SNIP/PTP by contracting with a balancing gas supplier for balancing gas buys and balancing gas sells from SNIP/PTP.

BGE(NI) balance the NWP/SNP by selling and buying gas from PTL at Carrickfergus under the Balancing Gas Agreement.

There is a separate neutrality/disbursement account for balancing payments and receipts on each zone.

Streamlining proposal for Balancing Arrangements

It is proposed that the valve at Carrickfergus will be set in free flow, and gas will be allowed to flow freely from SNIP/PTP to NWP/SNP. Advantages for this mode of operation have been identified in the pressure report completed by the DPO's in December 2005.

It is proposed that if for operational reasons, gas is required to flow back from NWP/SNP into SNIP/PTP the operators will agree procedures to allow this, and the equipment is already in place to allow this to happen.

Gas flows will be tracked between the two pipeline systems and accounted for in accordance with current practice to allow the DPO's track stock and UAG on their systems.

Gas will be allowed to flow between the two pipelines to optimise the operation of the Postalised Network with the aim of reducing the requirement for balancing actions.

Balancing gas transactions will not be required at Carrickfergus under the new arrangements, and a single balancing gas zone and single disbursement account will be implemented on the Postalised Network.

It is envisaged that arrangements for balancing gas purchases shall continue unchanged. It is proposed the current System Sell arrangements be developed to avail of increased options for selling gas from the Postalised Network when a single balancing zone is implemented.

Arrangements to document the joint operation and balancing of the Postalised Network will be included in the Northern Ireland Network Operators Agreement (NINOA). Development of detailed procedures between BGE(NI) and PTL will be required. Review of the Safety Cases may also be required to take cognisance of the balancing arrangements under the new regime.

6.0 Invoicing – Streamlining Proposal

Invoicing of PS Transmission Charges (Capacity & Commodity) and PS Code Charges

It is proposed that the existing Licence and Code arrangements whereby the exiting DPO invoices the PS Gas Supplier for PS Transmission charges and PS Code Charges is continued.

Invoicing of Shippers exiting SNIP

It is proposed that there is no change to the invoicing process for shippers exiting SNIP. Invoices for PS Transmission and PS Code Charges for the Postalised Network will be calculated by GTMBS and issued by PTL.

Invoicing of shippers exiting NWP/SNP

Shippers exiting NWP/SNP will receive one invoice for PS Code Charges on the Postalised Network. Invoices for PS Transmission and PS Code Charges for the Postalised Network will be calculated by GTMS and issued by BGE(NI).

The Greater Belfast offtake is an exceptional case with three physical offtakes from SNIP/PTP and one from NWP/SNP (Lisburn)

Invoicing of Shippers exiting at Greater Belfast

It is proposed that Phoenix Distribution will hold capacity on SNIP, PTP and NWP/SNP under the three transmission codes.

Phoenix Distribution will not be required to pay PS Transmission Charges under the PTL Code for transiting gas to the three existing Belfast exit points, but will be invoiced by Phoenix Transmission as the exiting DPO under the Phoenix transmission Code i.e. no change to existing arrangements. Phoenix will not be required to pay PS Transmission Charges under either the PTL Code or the Phoenix Transmission Code for transiting gas to the Lisburn Exit Point from SNP, but will be invoiced by BGE(NI) for PS Transmission Capacity charges at the Lisburn offtake.

Phoenix Transmission will invoice PS Transmission Commodity Charges for all Greater Belfast offtakes including Lisburn to Suppliers in Belfast via arrangements in the Phoenix Distribution Code.

7.0 Postalised Network Disbursement Account

It is proposed that BGE(NI) and PTL will jointly manage the Postalised Network Disbursement Account.

The following information is required to generate a single disbursements account for the Postalised Network;

	<u>Calculated by</u>	<u>System</u>
• Cost of balancing gas buys	PTL	
• Cost of balancing gas sells	PTL	
• Shipper Code Charges		
▪ CESB	BGE(NI)	GTMS(NI)
▪ firmus energy	BGE(NI)	GTMS(NI)
▪ PPL	PTL	GTMBS
▪ Phoenix	PTL	GTMBS
▪ BGT	PTL	GTMBS
• Shipper Monthly Throughput		
▪ CESB	BGE(NI)	GTMS(NI)
▪ firmus energy	BGE(NI)	GTMS(NI)
▪ PPL	PTL	GTMBS
▪ Phoenix	PTL	GTMBS
▪ BGT	PTL	GTMBS
• Total System Throughput = Σ Shipper Monthly Throughput		

PTL will continue to calculate and invoice PS Code Charges for Shippers exiting SNIP/PTP and BGE(NI) will continue to calculate and invoice PS Code Charges for Shippers exiting NWP/SNP.

BGE(NI) will use the Moffat entry allocation via a GTMS(MAA)-GTMS(NI) interface to calculate Code Charges for those Shippers exiting NWP/SNP (from Moffat to the respective Exit Point).All Shippers will balance between Moffat and their Exit point from the Postalised Network.

The Shippers total monthly throughputs based on their exit allocation and the total system throughput, will be used to pro-rate any surplus or shortfall in the disbursement account back to Shippers at the end of the month.

Each month a Shipper will receive, from their exiting DPO, an invoice for PS Code Charges and their disbursement account smear-back credit/debit statement (For clarity PTL will continue to invoice Shippers to Greater Belfast for PS Code Charges). The Shipper will net these amounts off and pay the balance into the Postalised Network Disbursement Account.

Work is ongoing between PTL and BGE(NI) to determine how the Postalised Network Disbursement Account may best be systemised, and how the actual disbursement account will be set-up and administered. It is proposed that the administration of the disbursement account for the Postalised Network will build on current practice in both balancing zones including level of information, balancing and scheduling costs and charges.

8.0 Development & Implementation Costs

The DPO's will request NIAER to allow costs incurred in developing and implementing the new arrangements be recovered through their allowed revenues under their respective licences and a mechanism to facilitate this will be required.

The DPO's are keen to develop arrangements which build on the current licences transportation arrangements and systems in order to minimise development and implementation costs.

Appendix 1

Transportation Arrangements Matrix

Shipper	Capacity Booking	Nomination		Allocation		Calculation of Code Charges		PS Code Charges	PS Transmission Charges		NOTES
				Entry (Moffat)	Exit				Capacity	Commodity	
	DPO	to DPO	on System	by DPO	by DPO	by DPO	on system	Invoiced by DPO	Invoiced by DPO	Invoiced by DPO	
CESB	BGE(NI) PNG Transmission PTL	BGE(NI) PTL	GTMS	BGE(NI)	BGE(NI)	BGE(NI)	GTMS	BGE(NI)	BGE(NI)	BGE(NI)	Will require will require GTMS (MAA) - GTMS(NI) interface to forward Entry allocation at Moffat info to BGE(NI)
Firmus Supply	BGE(NI) PNG Transmission PTL	BGE(NI) PTL	GTMS	BGE(NI)	BGE(NI)	BGE(NI)	GTMS	BGE(NI)	BGE(NI)	BGE(NI)	Will require will require GTMS (MAA) - GTMS(NI) interface to forward Entry allocation at Moffat info to BGE(NI)
PPL	PTL	PTL	GTMS	PTL	PTL	PTL	GTMS	PTL	PTL	PTL	No change to existing arrangements - only have relationship with one DPO
BGT	PTL	PTL	GTMS	PTL	PTL	PTL	GTMS	PTL	PTL	PTL	No change to existing arrangements - only have relationship with one DPO
Stranraer	PTL	PTL	GTMS	PTL	PTL	PTL	GTMS	PTL	PTL	PTL	No change to existing arrangements - only have relationship with one DPO
PNG Distribution	PTL PNG Transmission BGE(NI)								PNG Transmission BGE(NI)		PNG Distribution will book capacity with PTL for the 3 existing Belfast exit points and with BGE(NI) for Lisburn
PNG Supply		PTL BGE(NI)	GTMS	PTL	PTL	PTL	GTMS	PTL	PNG Distribution	PNG Transmission	Will require will require Scada interface to forward Lisburn exit allocation to PTL Lisburn nom generated based on previous days offtake at Lisburn PNG supply will book capacity with PTL for 3 Belfast exits and with BGE(NI) for Lisburn. PNG Transmission will invoice for capacity booked at Phoenix Exit No.1 and BGE(NI) will invoice for capacity booked at Lisburn PNG Transmission will invoice for commodity based on allocation at 3 Belfast Exit Points and Lisburn

NOTES

1. A PS Gas Supplier will be invoiced by their exiting DPO for PS Transmission and PS Code Charges
2. Lisburn is a unique offtake in that it forms part of an Exit Point from the Postalised Network which comprises four physical exit points, three from the PTP and one from SNP
3. Mod.s to the NINOA and Codes will be required to give effect to this proposal