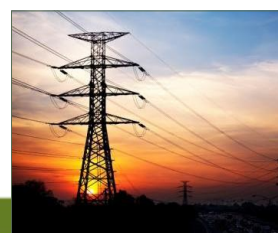


CONSULTATION ON GAS LICENCE MODIFICATIONS

**Consequential changes to gas low
pressure and supply licences arising
from the introduction of the new gas
day and entry charging**

21 April 2015



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This paper sets out the Utility Regulator's proposed changes to the low pressure and supply licences arising from the introduction of entry charges and a change in the gas day in the Northern Ireland postalised regime.

Audience

This document is likely to be of interest to the licensees affected, other regulated companies in the energy industry, government and other statutory bodies and consumer groups with an interest in the energy industry.

Consumer impact

The changes align the low pressure conveyance licences and the supply licences where necessary with the European Gas Regulation. They therefore benefit customers by furthering the aims of the third package.

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1. Introduction

Purpose of this paper

- 1.1. The purpose of this document is to set out for consultation a number of licence modifications to the gas supply licences and low pressure conveyance licences of firmus energy (Distribution) Ltd (firmus), Phoenix Natural Gas Ltd (PNGL) and Scotia Gas Networks (SGN).
- 1.2. These changes are consequential to the gas day changing to 5am to 5am¹ and the introduction of entry capacity on the high pressure network.
- 1.3. Sections two and three summarise the changes proposed. We invite views on the changes proposed.
- 1.4. We published a [conclusions paper](#) on the introduction of entry charges into the Northern Ireland postalised regime for gas on 5th February 2015.² This set out the methodology by which we proposed to introduce entry capacity into the NI postalised regime for gas. We subsequently published a [consultation paper](#) setting out the modifications to the high pressure licences³ necessary to give effect to the introduction of entry capacity.
- 1.5. We consider that only minor licence modifications are necessary to the low pressure conveyance licences and the supply licences consequent to the introduction of entry capacity as set out in this document.
- 1.6. As subsequent EUNCs are agreed and implemented it may be necessary to make further changes to licences. Any changes will be the subject of consultation.

Responding to this consultation

- 1.7. The deadline for responses to the issues raised in this paper is 5pm on 20 May 2015. Responses should be sent to:

¹ See article 3(7) of EU No. 984/2013 Network Code on Capacity Allocation Mechanisms.

² This followed a consultation on the proposed arrangements published in October 2014.

³ Gas Networks Ireland (UK) (GNI (UK)), Premier Transmission Ltd (PTL), Belfast Gas Transmission Ltd (BGTL) and Northern Ireland Energy Holdings Ltd (NIED).

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- 1.8. The Utility Regulator's preference would be for responses to be submitted by e-mail.
- 1.9. Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, the Utility Regulator will also ask respondents to supply the redacted version of the response that can be published.
- 1.10. As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this and in particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.
- 1.11. This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact us and we will be happy to assist.

2. Gas Day licence changes

Rationale and over view of the licence changes proposed

- 2.1. In all current licences the gas day is defined as starting at 6am and ending the following day at 6am. Similarly a 'Gas Year' starts at 6am on 1 October and ends at 6am the following 1 October.
- 2.2. Commission Regulation (EU) No 984/2013⁴ (the CAM⁵ Code) establishes a new gas day from 5am to 5am and we are working towards switching to the new gas day from 1 October 2015.
- 2.3. We note that the CAM code does not need to be implemented within distribution zones; however, it seems sensible that all gas networks in NI operate to the same gas day thereby minimising complexity in interactions between the network operators. We consider that a consistent gas day is particularly important for suppliers who interface with both high pressure and low pressure network operators.
- 2.4. In all the low pressure conveyance licences and supply licences we propose to change 6am, where it is used, to 5am. 6am currently appears in various definitions such as 'Day', 'Gas Year,' and 'Quarter.'
 - In the firmus licence the definition of 'Day' and of 'Gas Year' is found in Condition 2.12. In the PNGL licence the definitions are found in Condition 2.13 and in the SGN licence the definitions are listed in Condition 2.19. We also propose to correct a minor transposition error in the definition of 'Gas Year' in the SGN licence.
 - Similarly in the supply licences, the definition of 'Day' is found in Condition 2.2. The definition of 'Gas Year' and 'quarter' are found in Condition 3A.1.
- 2.5. The supply licences granted to British Gas Trading Ltd and AES

⁴ See definition of the Gas Day in the CAM code.

⁵ Capacity Allocation Mechanisms

Ballylumford currently refer to 'Day' but the term is not defined. We therefore propose to add this definition to condition 2.2 of those two licences.

- 2.6. Condition 2.2 is not in use in the supply licence granted to Northern Ireland Electricity PLC, therefore the change proposed to condition 2.2 will not apply to that licence.
- 2.7. Marked up extracts of the proposed licence changes are detailed as an annex to this paper.
- 2.8. As set out in the introduction we have separately consulted on changing 6am to 5am in the high pressure licences of PTL, BGTL and GNI(UK).⁶

3. Changes consequent to the introduction of entry capacity

Low Pressure licences - changes proposed

- 3.1. PNGL and firmus currently book capacity on the high pressure network on behalf of suppliers to Belfast and the ten towns respectively. In the firmus and PNGL licences the relevant obligations are found in Condition 2.12 and 2.13 respectively and in the SGN licence in Condition 2.19. The licence condition refers to 'capacity.'
- 3.2. From October 2015 we will introduce entry capacity which the suppliers will book themselves. Therefore we propose a minor clarification to the low pressure conveyance licences to change 'capacity' to 'exit capacity' and we have proposed a definition of 'exit capacity.'
- 3.3. This is proposed for clarity, it should make no practical difference in respect of capacity booking requirements.
- 3.4. The modifications proposed are marked-up in an Annex to this paper.

⁶ Formerly BGE(UK)

Supply licences - changes proposed

- 3.5. As set out above suppliers will book entry capacity from 1 October 2015. This means that they will need to forecast their use of entry capacity products and give these forecasts to PTL and GNI(UK). We therefore propose to add a licence obligation to this effect within condition 3A.2.2.1. Shippers will be required to complete the Shipper Forecast Information request under the transmission network code and therefore we have drafted the licence condition in high level terms. We welcome views on whether this obligation should be more specific.
- 3.6. We also propose to introduce relevant definitions associated with booking entry capacity to Part 3A namely 'Annual Capacity Product', 'Capacity Product' 'Enter', 'Entry Point' and 'Non-Annual Capacity Product'. We have proposed drafting based on Part 2A of the High Pressure Licences, we will review this drafting before finalising the licence changes. We also propose to add the term 'Enter' to existing definitions where the context requires that reference to enter and exit should be made.
- 3.7. It should be noted that the new forecasts required under our proposed modification to Condition 3A.2.1 will be subject to the existing obligation in 3A.2.2.2 to make accurate forecasts. Accuracy of these forecasts is important for tariff purposes.

4. Next steps

- 4.1. Responses to this consultation are due by 20th May 2015 after which we will finalise the licence changes.
- 4.2. We anticipate that the licence changes will become effective on 1 October 2015 in line with the introduction of the new gas day on the high pressure network.