

## **SUBMISSION TO UReg CONCERNING PROPOSED MODIFICATIONS TO BGE (UK) LIMITED'S CONVEYANCE LICENCE**

BGE (UK) has reviewed the proposed modifications as notified to BGE (UK) pursuant to a Gas Notice by UReg dated the 18 May 2012. BGE (UK) would make the following submissions with respect to the proposed licence modifications. This submission is structured in two parts, Part A concerns general submissions and Part B contains specific comments on the drafting as proposed.

### **Part A – General Comments**

BGE (UK) is concerned that the proposed VRF Service does not attract a capacity and commodity charge. This appears discriminatory in that:

- (a) Because of the postalised arrangements in NI, transportation tariffs are only charged when gas exits the network. Under the proposed VRF arrangements, gas which enters NI and subsequently exits NI via any of the VRF services will not pay the postalised exit charge. However, this same gas will have used the NI network and will be physically delivered in NI, but will not be charged a capacity and commodity tariff.
- (b) The Transporter is concerned that the proposed registration fee for VRF Services is not cost-reflective and may result in a cross-subsidy being created, neither of which is appropriate or consistent with applicable EU legislation. Forward-flow shippers have to pay a Capacity and Commodity charge based on their booking and flows, which is designed to recover the asset-owners allowed revenue while reverse-flow shippers use the same network but only pay an arbitrary fee.
- (c) There is no incentive for Shippers to optimise their booking behaviour in order to use the network efficiently. Once the registration fee is paid by a Shipper, it can book all the available VRF capacity available regardless of whether it is required or not.
- (d) Shippers can bring gas into NI and virtually exit the same gas from NI without paying any entry or exit charges other than a £5,000 registration fee. Except for network constraints, there is no limit to the frequency at which this can occur.

The NI charging methodology notes that the current ROI VRF service is also based on an annual registration fee. However, because of the Entry-Exit arrangements in ROI, different parts of the system are remunerated separately: shippers pay an entry tariff at Moffat and Inch when their gas enters the ROI system and a registration fee for the VRF service.

### **Part B - Specific Comments on drafting**

- Definition of STC/VRF Revenue. For clarification purposes please amend the words in round brackets as follows:

*“or in the context of forecasts of STC/VRF Revenue a forecast of the cash amount receivable.”*

- Clause 2.2.22.1 please amend as follows:

*“The Licensee shall report to the Authority on an annual basis in each Gas Year not later than the tenth Business Day in November details of the Licensees STC/VRF Revenues in the preceding Gas Year.”*

The reason for the proposed changes is the definition of STC/VRF Revenues is funds actually received; it is factual and should not be a matter of subjective calculation.

- Clause 2.2.22.1 cross references 2.2.21(a) – the version published on the website does not have any section “2.2.21 (a)”. Can you confirm that there will be no such section in the final licence or otherwise provide this to BGE(UK) for review.
- Clause 2.2.22.1(ii) the Licensee queries the basis upon which this clause can apply; surely the authority may only determine the STC/VRF Revenues if there is an error in the Transporters calculation?
- Clause 2A.1.1 definitions: the term “*Daily capacity*” should be “*Daily Capacity*” and in the definition of “*Firm Capacity*” delete “*which is held in accordance with the Network Code*”. The additional words are unnecessary in view of the proposed definition of Daily Capacity.
- While 2A.2.1.5(e) is proposed as a definition it in fact reads as an operative clause. We would propose the following:

*“Threshold Amount” or “Threshold Quantity” means an amount or quantity equal to 5% of the aggregate of the MDQs represented by Firm Capacity (as defined in 2A.1.1) allocated at Exit Points on the designated Network”*

- 2A.2.1.6 BGE (UK) appreciates the obligation pursuant to EU Regulations to offer Firm and Interruptible Third Party Access Service for a period of one day. We are concerned however, at the proposal to describe such services as the Short Term Capacity Services; Firm and Interruptible TPA Services for a period of one day could be construed to include the Firm Capacity currently provided including where a Shipper comes on stream in the middle of a Gas Year. We would suggest that the definition of Short Term Service should be limited to Daily Capacity as otherwise the definition is inconsistent with the BGE(NI) code.
- 2A.2.1.14 (See our comments on the definition of Threshold Amount above.) This drafting suggests that it is discretionary as to whether the Licensee chooses to give notice to the authority if the Threshold Amount is achieved or exceeded. In our view postalisation should occur once the Threshold Amount has been reached and we therefore suggest an amendment to the wording of 2A.2.1.14 to reflect this. Presumably, it is also the intent that if there was a required Modification pursuant to one

conveyance licence the Modification will apply to all such Licences including PTL and BGTL. Accordingly 2A.2.1.14 could read as follows:

*“If the aggregate of the MDQs represented by Daily Capacity allocated at Exit Points on the Designated Network in respect of any period of twelve (12) consecutive months exceeds the Threshold Amount (or is forecast by the Licensee to be exceeded in respect of any period of twelve (12) consecutive months) the Licensee **shall** give notice to the Authority stating that the Licensee wishes to secure the making of modifications to this Licence and the Network Code (and to the Respective Licences and Network Codes of other Designated Pipeline Operators) which will have the effect that the amounts payable to the Licensee in respect of such charges are postalised **in the following Gas Year** and brought within the regime for postalised charging applicable under the Postalisation Conditions (such modifications being the “required modifications”)”*