



Consultation on Virtual Reverse flow in Northern Ireland: High Level Business Rules

6 April 2012

1. Purpose of this paper

- 1.1. This paper sets out for consultation the high level business rules for the virtual reverse flow product in Northern Ireland.
- 1.2. This product has been developed in order to satisfy infringement proceedings against the UK under Regulation (EC) 715/2009 which replaced Regulation (EC) 1775/2005. The infringement alleged that the Transmission System Operators (TSOs) in NI do not make maximum capacity available on the Scotland to Northern Ireland (SNIP) pipeline or on the South-North pipelines (SNP) because they do not offer interruptible reverse flow.
- 1.3. The draft business rules are published alongside this paper and have been jointly prepared by the NI TSOs. The business rules will be presented to industry at the next EU code forum on 24th April.
- 1.4. Consideration will be given to how the draft business rules will impact on the code and this work will be ongoing during the consultation process. There will be later consultation on the legal drafting of the codes in May 2012.

2. Background

- 2.1. The European Commission referred the UK and Ireland to the European Court of Justice on 26 January 2012 for a failure to fulfil certain obligations under Regulation (EC) 715/2009, which replaced Regulation (EC) 1775/2005 on 3 March 2011. Earlier in June 2010 the Commission issued a reasoned opinion to the UK for non-implementation of certain aspects of Regulation (EC) 1775/2005. These requirements were to be fulfilled as part of the CAG project by 1 October 2012 but this deadline will not now be met.¹
- 2.2. The two Departments have jointly requested that the Utility Regulator and the Commission for Energy Regulation (CER) in Ireland urgently focus their resources, and the resources of the system operators, on ensuring immediate compliance with the Gas Regulation in the EU Second Package in their respective jurisdictions.
- 2.3. The Utility Regulator is progressing a work programme with the TSOs to meet the infringement and a timetable for consultation with industry has been published separately.
- 2.4. The business rules have been developed to complement other business rules developed for the short term daily capacity product and the south north entry point.

¹ See Common Arrangements for Gas (CAG) Industry Update published on 2/2/12 on the Utility Regulator website.

3. Consultation questions

- 3.1. Given the imperative to comply with the outstanding areas of the infringement, the approach to entry point rules has been to introduce rules which are cost effective and can be implemented and offered to shippers quickly.
- 3.2. We would welcome comments on the specifics of the business rules proposed.
- 3.3. Respondents may like to note that Section 6.1 proposes that the Maximum Available Interruptible VRF Exit Capacity from the BGE (NI) Network at Carrickfergus on a day would be set in summer at 90% of the Ten Towns summer demand. We will give further consideration to the quantity available during the other seasons and views on a seasonal approach would be welcome.
- 3.4. Also, section 10.3 of the business rules which includes two options for the level to which Interruptible VRF nominations will be reduced in the event of interruption – to zero or to a deemed quantity. Reduce to zero is the rule currently in place in the Gaslink code for VRF at Moffat and is proposed as an interim solution on the assumption that the likelihood of interruption is quite low. However, reducing to zero automatically ignores the flows (both physical and virtual) that have taken place by the time of interruption and this could expose shippers to higher imbalance and scheduling charges compared to reducing to a deemed to have flown amount. We would be grateful if shippers could indicate which option they prefer.
- 3.5. We would also welcome comments on the consultation process proposed below.

4. Consultation process

- 4.1. Given the imperative to comply with the outstanding areas of the infringement, we are minded to shorten the usual code modification process established by the TSOs. The Code Modification Rules of both TSOs allow the Authority, upon request of either the TSO or another consultee, to reduce the timescales set out in the modification rules.
- 4.2. In this case we propose to consult on the entry point rules in two phases – the present consultation on the business rules and a second later consultation under the Code Modification Rules on the code drafting itself.
- 4.3. During the consultation on the business rules we will facilitate a discussion on the proposals for virtual reverse flow during the next EU code modification forum which is scheduled for 24 April.

5. Next steps

5.1. We welcome responses on the issues set out in this paper by 30 April. Responses should be sent to:

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