



## **Conclusions Paper:**

- **Virtual Reverse flow in Northern Ireland: High Level Business Rules**
- **Introduction of South North Entry point to the BGE(NI) Network: High Level Business Rules**

**10 May 2012**

## 1. Purpose of this paper

- 1.1. The Utility Regulator published two consultation papers on 6 April 2012:
  - Consultation on Virtual Reverse Flow (VRF) in Northern Ireland: High Level Business Rules
  - Consultation on Introduction of South North Entry point to the BGE(NI) Network: High Level Business Rules
- 1.2. The consultation papers set out the high level business rules for the VRF product in NI and for the South North pipeline entry point rules (physical forward flow).
- 1.3. This paper sets out the Utility Regulator's view on the business rules and the next steps.

## 2. Background

- 2.1. The VRF product and entry point rules have been developed in order to satisfy infringement proceedings against the UK which alleged that the TSOs in NI have not made 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 under Regulation (EC) 715/2009, which replaced Regulation (EC) 1775/2005.
- 2.2. 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.<sup>1</sup>
- 2.3. 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.
- 2.4. The Utility Regulator is progressing a work programme with the TSOs to meet the infringement.

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

### **3. Responses received**

3.1. We received two responses.

- Airtricity responded to the consultation on the introduction of a new entry point into the BGE(NI) network on the South-North pipeline. Their response welcomed the underlying principles guiding the introduction of the new entry point but raised an issue regarding the treatment of exit rules. See below for our view on this.
- ESB Energy International submitted a combined response to both business rules consultations. They welcomed both the new entry point on the south-north pipeline and the availability of the virtual reverse flow product but highlighted the importance of the timeframes being coordinated with Gaslink. They also questioned why the Maximum Available Interruptible VRF Exit Capacity from the BGE (NI) Network at Carrickfergus should be limited to 90% of ten towns summer demand.

3.2. The responses are published in full alongside this document on the Utility Regulator website.

### **4. Utility Regulator view**

4.1. In the cover note to the consultation on the business rules we asked respondents to consider:

- 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
- whether a seasonal approach to determining the Maximum Available Interruptible VRF Exit Capacity from the BGE (NI) Network at Carrickfergus would be appropriate

4.2. We received no specific comments on the question of the level to which Interruptible VRF nominations will be reduced. Consequently, our view is that the TSOs should produce code drafting consistent with reducing Interruptible VRF nominations to zero as this is consistent with what is already in place in the Gaslink code.

4.3. ESB International questioned why the Maximum Available Interruptible VRF Exit Capacity from the BGE (NI) Network at Carrickfergus should be limited to 90% of ten towns summer demand. We believe that further consideration should be given to a seasonal approach and ask the TSOs to consider this when drafting the code rules for consultation.

4.4. With respect to the issue raised by Airtricity on the treatment of exit allocations on the South North pipeline, it appears that the outcome which Airtricity desires

would require a very different approach to that consulted on and which would not be consistent with the current allocation methodologies. For this reason we do not believe it would be appropriate in the current context.

- 4.5. However, we will continue to improve the VRF product and will take on board the comments made by respondents as we do so. But it is important to make the product available as soon as possible.
- 4.6. Subject to the views expressed in paragraphs 4.2-4.3, we are confirming the business rules as consulted on as the basis for the TSOs to prepare draft code modifications which will then be consulted on under the code modification rules.

## **5. Next steps**

- 5.1. The TSOs should now prepare code modifications to their respective codes for consultation.
- 5.2. We expect the TSOs to bring forward draft code modifications for consultation with industry under the code modification rules by 25 May.
- 5.3. The business rules consultations stated that 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. In this instance we believe that a consultation period of two weeks balances the need to resolve the infringement issues quickly with the need to give respondents a reasonable period to consider the text of the code modifications, bearing in mind that we have also consulted on the business rules.
- 5.4. The proposed code modifications will also be presented for discussion to the industry by the TSOs at next the EU code forum.