

Draft Notes from 2nd workshop on the implementation of the EU Gas Network Codes and single system operation in NI – 16th October 2014

Present:

Organisation	Name	Organisation	Name
UR	Roisin McLaughlin	PNG	Lisa McCarthy
	Christine Gilmore		Joanne Quinn
	Richard Hume		Christopher Doherty
	Sean Murphy	SSE	Sharon McCahey
	Tanya Hedley		Conner Powell
DETI	Irene McAllister	Mutual Energy	Stephen English
BGE(NI)	Andy McCrea		Lauren Skillen-Baine
	Brendan O’Riordan		Daniel Campbell
firmus	Stephen Miller		Paddy Larkin
	Debbie Huey		Sue Ellwood
ESB	Jag Basi		Claire Stewart
	Kirsty Ingham	AES	Donald Murray
Electric Ireland	Danny Mills	Flogas	Hazel Byrne
Vayu	Keith Donnelly	PPB	Angela Blair
PPB	Roy Foreman	ECA	Peter John

Via teleconference:

Infrastrata	Anita Gardiner
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Agenda Items

1. Welcome and Introduction

The Utility Regulator welcomed everyone to the meeting.

2. Presentation by UR on entry tariff methodology and draft model

The Utility Regulator gave a presentation on proposals for the introduction of entry charges into the Northern Ireland postalised regime. The presentation provided detail on the following:

- Common tariff requirements
- Summary of the current postalised regime

- Summary of the EU requirements to be implemented in October 2015
- Considerations in the design of the new tariff regime
- Overview of entry charging proposals
- Overview of changes proposed at exit
- Illustrative tariff process
- Overview of the new postalised model.

There was a question as to whether the UR had considered moving away from end of year bullet payments and instead carrying forward any under recovery into the following year's forecast tariff. UR indicated that carrying forward any under recovery had not been considered as this was not the current practice for a number of reasons. In addition the proposals were designed to limit the potential for large end of year bullet payments.

UR also flagged the importance of ensuring that CAM is implemented on time and in line with Rol timescales at Gormanston and GB timescales at Moffat.

Industry participants noted that taking the pragmatic route or basing proposals on existing structures can be useful but may not lead to the best long-term outcome. It was also noted that the impact on existing contracts and on the SEM should be considered.

One participant asked when the reserve price will be set for auctions. UR stated that once the entry charging methodologies had been agreed, the reference price for annual capacity will be calculated in Summer 2015. This will ensure that the reference price will be available for when CAM auctions begin.

In relation to the changes in the charging regime at exit to ensure that a supplier nominating above the level of booked capacity at an exit point will be charged an appropriate rate for capacity, an industry participant asked what the appropriate rate might be. UR indicated that the rate will need to be discussed further with industry.

Financial model

A presentation was given on behalf of the Utility Regulator during which the draft tariff model illustrating the UR tariff proposals was briefly outlined. This included an explanation highlighting the inputs and outputs needed for the model, the calculation of the reserve price, and reconciliation process in the model.

One participant asked whether secondary trading arrangements had been taken into consideration in the tariff proposals. The UR stated that it would follow-up on this. [UR notes that secondary trading arrangements are not a feature of the entry tariff methodology proposals. Any questions about how secondary trading arrangements will be facilitated could be raised at the PRISMA workshop on 27th November.]

3. TSO update

The TSOs provided an update on the following topics:

- Entry registration and capacity registration consultation responses. There were two key points:
 1. Rejection of nominations which exceed capacity bookings
 2. Determination of DN Shipper's Initial Entitlement
- Interim measures report:
 - The TSOs propose to adopt interim measures.
 - Under the balancing code a TSO seeking to adopt interim measures must produce an interim measures report, consult on this and submit it to the Regulator for approval.
 - The TSOs intend to consult on the interim measures approach in November.
- There will be a separate workshop on the detail of the nomination and allocation business rules. In the interim what the proposed rules would cover was outlined.
 - Nominations business rules to cover:
 - New concept of single and double sided nominations
 - New matching arrangements
 - Processing of entry nominations
 - Changes in nominations timings
 - VRF nominations
 - Trade nominations.
 - Allocations business rules to cover:
 - Entry allocations at IPs
 - Trade allocation rules
 - Exit allocation rules
 - Entry allocation transition.

The TSOs also highlighted the following upcoming activities:

- Upcoming consultations:
 - Nominations business rules consultation – November
 - Allocations business rules consultation – November
 - Interim measures report consultation – November
 - Entry capacity business rules consultation – December
 - Gas day business rules consultation – December.
- Upcoming workshops:
 - Nominations and allocations business rules – 18th November
 - PRISMA – 27th November. We anticipate that National Grid will present GB shipper licensing requirements at this workshop but this is to be confirmed.

4. Update by UR on bundling capacity

CAM – Capacity Bundling at Moffat

The three NRAs – the UR, CER and Ofgem have been discussing the options for bundling capacity in Scotland.

NI is connected directly to the GB market and UR wish to implement CAM in a manner which maintains this direct connection. The link to GB is facilitated by an Intergovernmental Treaty between the UK and Ireland and a Transportation Agreement between PTL and BGE(UK). UR's view is that PTL unsold capacity will be bundled with that of NGG and Twynholm is not an IP. However, the status of Twynholm has yet to be resolved and therefore remains a risk for 2015 compliance.

The UR noted also that the term of the TA ends in 2021 but there is an option to renew it. The UR and the CER have asked the TSOs to discuss post 2021 arrangements.

SNP bundling

The Utility Regulator's preferred option is a bundle between BGE(NI) and Gaslink at Gormanston. Capacity to enter the ROI system at Moffat would not be included in this bundle and would need to be purchased separately. A bundle between BGE(NI) and Gaslink should be achievable for October 2015.

SNP exit charge

Independent legal advice commissioned by both the UR and CER indicates that the EUCJ is likely to conclude that the tariff¹ is not compatible with EU law. It is understood that the CER is working on a new tariff which is expected to be published in late October.

5. Next Steps

Date of the next meeting is scheduled for 27 November and will focus on PRISMA.

¹ In place at the time of the meeting.

	Action	Responsibility	Complete by
1	Consultation paper on the introduction of entry charges into the Northern Ireland postalised regime issued by UR on 16 th October.	UR	16 th October.
2	Publish the illustrative postalisation model.	UR	24 th October.
3	Circulate notes from 28 th July & 16 th October workshops.	UR	Next meeting.

6. AOB

None discussed.