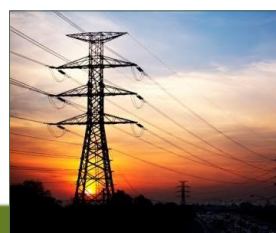


**DECISION PAPER: LICENCE
MODIFICATIONS ART.14 GAS ORDER**

**Changes to high pressure gas
conveyance licenses consequent to the
introduction of entry capacity**

14th May 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 final decisions on modifications to the high pressure conveyance licenses arising from the introduction of entry products and charges into the Northern Ireland postalised regime. The modifications are made under Article 14 of the Gas Order and the changes are necessary to implement European legislation.

Audience

This document is likely to be of interest to the licencees 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 are necessary to ensure compliance with the European Gas Regulation.

1. Introduction

Purpose of this paper

- 1.1. This paper explains the licence modifications the Authority intends to make to high pressure gas conveyance licences in order to implement gas entry charges. The final modifications are published on our website alongside this document.

Background

- 1.2. New entry capacity products and their associated charges must be introduced in accordance with the Gas Regulation (EC) 715/2009. The Capacity Allocation Mechanism (CAM) Regulation (EU 984/2013) also requires a number of non-annual products to be introduced at entry points and the allocation of this capacity by means of auctions. The Authority published its [Conclusions Paper](#) on the arrangements necessary on 5th February 2015.¹ At that point we stated that licence changes would be necessary to give effect to these conclusions.
- 1.3. On 11th February we published the [licence modifications](#) we proposed to make to the high pressure gas conveyance licenses. The consultation closed on 11th March 2015. The majority of modifications are contained in Part 2A which is a set of standard conditions in the high pressure conveyance licences². We also proposed some consequential changes to the revenue conditions of the BGE(UK), PTL, and BGTL licences.

¹ This followed a [Consultation](#) on the proposed arrangements published in October 2014.

² The modifications will therefore be made to the licenses of Bord Gais Eireann (UK) (BGE(UK)), Premier Transmission Ltd (PTL), Belfast Gas Transmission Ltd (BGTL) and Northern Ireland Energy Holdings Ltd (NIED).

2. Decision on licence changes

Summary of response received

- 2.1. We received one response from MEL which is summarised below and published on our website alongside this document.
- 2.2. The response stated that MEL mainly agree with the consultation proposals but requested that the Authority make a number of minor corrections to Part 2A, e.g. to correct a missing number or fraction bar. More substantively that the Authority should consider publishing the table in condition 2A.2.5 of the proposals outside the licence. MEL suggested it should be published in the Gas Transmission Charging Methodology statement. Also that the treatment of quarterly products in condition 2A.2.5.4 was not sufficiently clear and that the formula would calculate the entire cost for the quarterly product to be included in the monthly invoice. MEL proposed that quarterly products are invoiced over the three month period to which the product relates.
- 2.3. MEL made no specific comments in relation to the changes to revenue conditions proposed.

Summary of licence changes made

- 2.4. In relation to the table in condition 2A.2.5 we agree that this could be published outside the licence and we have amended Part 2A to indicate that it will be published in the Gas Product Multiplier and Time Factors Table. This will be published by the Authority once the [consultation](#) on gas multipliers has closed and following consideration of the responses to this consultation. We expect to publish this table in early July. At that point we will give consideration to listing the individual exit points as MEL suggested.

- 2.5. We have not made any specific changes to the treatment of quarterly products in condition 2A.2.5.4 as we consider that the current drafting can facilitate the approach preferred by MEL. The condition refers to the amount of non-annual capacity held by a Gas Supplier in respect of a particular month. We consider that where quarterly capacity is booked it will therefore be held for each month of that quarter and can be invoiced as such. If further clarity is need we invite the licensees to set out their invoicing approach in the Gas Transmission Charging Methodology statement to be submitted to the authority under condition 2A.2.1.9. We have also corrected the minor errors identified by MEL.
- 2.6. Otherwise we have added drafting to condition 2A.2.1.9 to ensure that the change controls applicable to the Gas Transmission Charging Methodology statement are clear and robust. Also, in condition 2A.2.6.2 we have added termination and supplemental payments into the formula which is consistent with how these payments were originally treated in the licence.
- 2.7. In 2A.2.6.4(a) we have added drafting to make it clear that that a reconciliation unit charge is calculated for all annual capacity not just that purchased at auction. Also in 2A.2.6.4(a) and 2A.2.6.4(b) we have reordered the terms in the formula used to calculate the reconciliation unit charge as the original order was incorrect.
- 2.8. We have also made some minor amendments to definitions for clarity, deleted any redundant formula terms, and corrected any cross references within conditions which had become misaligned as a result of drafting changes

2.9. We have made no changes to the revenue conditions proposed except to update one formula term in condition 3.1.8.2(a) of the PTL licence - TWCT has been amended to TWFCt to maintain consistency with Part 2A.

Final decision

2.10. The final licence modifications to Part 2A of each licence and to the revenue conditions are published alongside this document.