

# **DECISION PAPER: ART.14 GAS ORDER**

**Modifications to low pressure gas conveyance and gas supply licences consequential to the introduction of entry capacity and the new gas day**

12 June 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 decision on modifications to the low pressure gas conveyance and gas supply licences arising from the introduction of entry products into the Northern Ireland postalised regime. The modifications are made under Article 14 of the Gas Order.

## Audience

This document is likely to be of interest to the licensees 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 align the low pressure conveyance licences and the supply licences where necessary with the European Gas Regulation. They therefore benefit customers by furthering the aims of the third package.

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# 1. Introduction

## *Purpose of this paper*

- 1.1. On 21<sup>st</sup> April 2015 the Authority published a consultation proposing a number of licence modifications to the low pressure gas conveyance licences of firmus energy (Distribution) Ltd (firmus), Phoenix Natural Gas Ltd (PNGL) and Scotia Gas Networks (SGN) and to the gas supply licences. These changes are consequential to the gas day changing to 5am to 5am<sup>1</sup> and the introduction of entry capacity on the high pressure network. The primary aim of the modifications is to ensure that all the gas conveyance supply licences are adequately aligned.
- 1.2. This paper outlines the Authority's decision in respect of the licence modifications consulted on. Marked-up extracts detailing the final changes to the low pressure gas conveyance licences are published on our website for each licensee. Similarly, marked-up extracts of the supply licences are also published. There is a separate marked-up extract for British Gas Trading Ltd (BGT) and AES Ballylumford as we have introduced the definition of 'Day' to condition 2.2 of each of these licences.

## *Background and summary of changes proposed*

- 1.3. The Capacity Allocation Mechanism (CAM) Regulation (EU 984/2013) requires a change in the gas day from 6am to 6am to 5am to 5am. This requirement has already been reflected in the high pressure gas conveyance licences.
- 1.4. To ensure the gas day is aligned in addition across the low pressure gas conveyance and supply licences we proposed to change 6am, where it is

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<sup>1</sup> See article 3(7) of EU No. 984/2013 Network Code on Capacity Allocation Mechanisms. Gas Day previously 6am to 6am.

used, to 5am. In these licences 6am currently appears in various definitions such as 'Day', 'Gas Year,' and 'Quarter.'

- 1.5. From October 2015 we will introduce entry capacity and changes related to this were implemented to the high pressure licences following [consultation](#) which was published on 11<sup>th</sup> February 2015, with a [decision](#) published on 15<sup>th</sup> May 2015. Suppliers will book entry capacity while PNGL and firmus<sup>2</sup> will continue to book exit capacity on the high pressure network. Therefore in light of this we proposed a minor clarification to the low pressure conveyance licences to change 'capacity' to 'exit capacity' and we proposed a definition of 'exit capacity'.
- 1.6. In addition we proposed that suppliers be required to forecast their use of entry capacity products and give these forecasts to PTL and GNI(UK). An obligation to this effect was proposed within condition 3A.2.2.1 of the gas supply licence. We are also introducing relevant definitions associated with booking entry capacity to the supply licences Part 3A, namely 'Annual Capacity Product', 'Capacity Product' 'Enter', 'Entry Point' and 'Non-Annual Capacity Product'. The drafting is aligned with the high pressure conveyance licences Part 2A.
- 1.7. The supply licences granted to British Gas Trading Ltd and AES Ballylumford currently refer to 'Day' but the term is not defined. We therefore propose to add this definition to condition 2.2 of those two licences.

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<sup>2</sup> SGN will also book exit capacity in due course.

## 2. Summary of responses received

2.1. Responses were received from Phoenix Natural Gas Ltd (PNGL), firmus energy Ltd and Scotia Gas Networks (SGN). The responses are summarised below as well as being published alongside this decision paper on our website.

### *Gas Day licence changes*

2.2. PNGL agree with the licence changes proposed, stating that they will allow the DNOs<sup>3</sup> and TSOs<sup>4</sup> to continue to operate and exchange information in a consistent and co-ordinated manner. firmus also agree with the proposed changes to gas day in their licence. SGN confirmed that they view the licence modifications to be minor and provided no comments on the gas day changes.

### *Changes consequent to the introduction of entry capacity*

2.3. PNGL agrees with the inclusion of an additional clause in the gas supplier licence regarding the provision of suppliers forecast use of entry capacity to the TSOs and the importance of the accuracy of these forecasts. PNGL also consider that further work should be undertaken with shippers on the parameters upon which this information is provided but that these parameters do not need to be formalised within the licence. We are happy to discuss this further with the DNOs and suppliers and suggest that GMOG<sup>5</sup> would be an appropriate forum for this.

2.4. firmus agree with the proposed amendments to the capacity terms in their licence. They requested that the UR ensure the supply licence

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<sup>3</sup> Distribution Network Operators: firmus energy, PNGL and SGN.

<sup>4</sup> Transmission System Operator: BGTL, GNI(UK), NIEH and PTL.

<sup>5</sup> Gas Market Opening Group.

modifications are aligned with the code rules for transmission, noting that these were not confirmed at the time of consultation. We agree with firmus that terms need to be aligned where possible and will continue to be mindful of this as we work through the changes required by the European network codes.

- 2.5. SGN confirmed that they view the licence modifications to be minor and provided no comments on the introduction of entry capacity.



### **3. Decision on licence changes**

- 3.1. The Authority's decision is to make the licence modifications consulted on without change. As set out in 1.2 above the final licence modifications for each Licensee are published with this document.
  
- 3.2. The licence modifications giving effect to a change in the gas day will become effective on 1<sup>st</sup> October 2015, in line with the introduction of the new gas day on the high pressure network and the start of the Gas Year 2015/16. The licence modifications for the introduction of entry charges will become effective on 7<sup>th</sup> August 2015.
  
- 3.3. As subsequent European network codes are agreed and implemented it may be necessary to make further changes to licences. Any changes will be the subject to consultation.