

Lisa McCarthy,
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Ref: NET/G/TH/178

21 January 2020

Dear Lisa,

Re: Network Code Modification Proposal 010 – Introduction of Annual Quantity threshold for the classification of Daily Metered Supply Meter Points

Thank you for submitting the modification report for code mod 010 as required under Section 6 of the Code Modification Rules. We have reviewed the modification report, including the note of clarification provided to gas suppliers and have noted the responses that were received during the consultation period.

The proposed changes will specify, in sections A and L of the firmus energy (Distribution) Ltd (feDL) network code, that a Daily Metered Supply Meter Point (SMP) is defined as one which has an Annual Quantity greater than 2,196,000 kWh (75,000 therms).

Currently, the feDL distribution network code does not specify an Annual Quantity for Daily Metered SMPs, and deems a SMP to be Daily Metered where telemetry is fitted, regardless of Annual Quantity. At September 2019, the 39 SMPs which would have been defined as Daily Metered in other Gas Distribution Networks comprised almost half of the AQs for feDL's End User Category (EUC) 3, a category which generally

comprises those SMPs with an AQ between 25,000 and 75,000 therms per annum. The affected SMPs have a monthly consumption profile which does not follow the standard EUC3 monthly consumption profile, resulting in significant forecasting error and large reallocations between shippers when transmission volumes are settled at month end.

The proposed modification will:

- Achieve consistency with the definition of Daily Metered SMPs in the Network Codes of the other Gas Distribution Networks in Northern Ireland, in compliance with condition 2.4.13(a)(i) in the feDL conveyance licence
- Allow more accurate forecasting by the affected SMPs, which is expected to reduce the scale of the month end reallocation carried out at transmission level.
- Slightly reduce capacity charges for some SMPs, as they will pay for the capacity they actually need rather than the capacity which is calculated by applying the load factor for EUC3 SMPs.

We have separately approved Capex and Opex allowances, through the uncertainty mechanism within price control GD17, to convert up to 43 existing SMPs, which meet the threshold of 75,000 therms per annum, from Non-Daily Metered to Daily Metered. We understand that the process to procure and install telemetry at the affected SMPs has already begun and will take around six months.

As a result of feedback received at the pre-consultation presentation to the Gas Market Operating Group in August 2019, you moved the proposed effective date of the code mod to 1st October 2020. This is because if it were to become effective immediately, the affected SMPs would be obliged to submit daily metered forecasts before the telemetry had been installed at their premises.

As a separate exercise, it may be beneficial to discuss with the other Gas Distribution Networks how this could be rectified, to prevent other SMPs being faced with an obligation to submit Daily Metered forecasts before their telemetry is installed.

During the consultation period, you issued a clarification to gas suppliers, which confirmed that the re-classification of the affected SMPs to Daily Metered will not be delayed until the new proposed Code Mod implementation date, but rather that the movement of individual SMPs to providing Daily Metered forecasts will be phased throughout the roll-out period as the SMPs get their telemetry installed.

We note that you received two direct responses during the consultation process, one of which included three responses from affected customers. The responses were generally positive. We welcome the fact that you asked gas suppliers to seek the views of the affected SMPs, however we note that the affected SMPs do not fall within the definition of Consultees in paragraph 2.6 of the feDL Modification Rules. Under Condition 2.4.4(e) of the feDL licence, feDL is required to frame Modification Rules that enable representation and objections by any “party to the Network Code and by other persons who are likely to be materially affected by the proposal”. As the Modification Rules do not provide for consultation of “persons materially affected by the proposal”, we invite feDL to bring forward a separate modification to address this.

We note that you are recommending approval of this code mod.

Having considered the benefits, we conclude that this modification would better facilitate the Relevant Objective.

This Code Mod 010 is approved, to become effective from 1st October 2020.

Yours sincerely



Tanya Hedley
Networks Director