



Entry Capacity Transition Rules

High Level Principles

28th July 2014

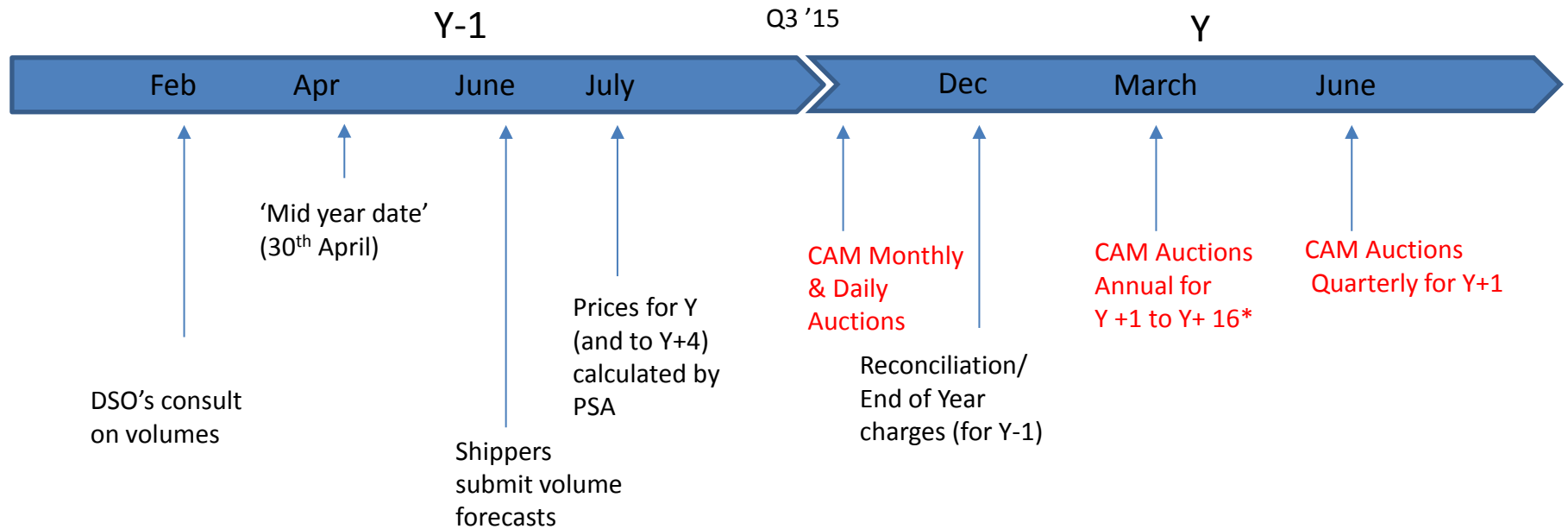
Transition Rules - Context

- EU requires Shippers to be charged for capacity separately at entry and exit points
 - (Regulation EC 715/2009)
- NI will be introducing Entry Capacity as a separate product for the first time
- Mechanism needed to transition Point-to-Point capacity entitlements to Exit and corresponding Entry Capacity entitlements
- Intention is that this should be ‘mechanical’, simple and fair process
 - Total costs to Shippers should not increase as a result of the transition process

Context..continued

- Shippers will be required to buy entry capacity (as opposed to DSOs)
- DSOs will continue to be required to book Transmission Exit Capacity for their relevant Distribution Networks
- PRISMA will be the Entry Capacity sales platform from Oct 2015
- Methodology for calculating Tariffs for Entry Capacity (along with Exit charges) will be developed and in place
- Minimal Changes to Exit Capacity are expected, as compared to existing rules in NI Codes
- CJV between the TSOs will not be in place by Q3 2015
- NI TSOs will co-ordinate/co-operate
 - to enable streamlined and postalised charging
 - to maintain efficient operation of the NI networks

Background: Current Tariff Setting Timelines, and CAM 1st Auctions Timing



**NI has a type of 'Variable Price' regime
i.e. Shippers pay capacity price at the time of use
(not the time of purchase)
Prices calculated after capacity applications received**

Determining Initial Entitlements of Entry Capacity

- Initial Entitlements will be determined based on existing holdings in [March 2015]
- Where Shippers hold long term capacity
 - We are splitting their long term entitlement into entry and exit
 - Same quantity and duration for both
- Where DSOs hold capacity on behalf of Shippers , we need to determine how much is attributable to each Shipper
 - Use analysis of gas allocations over [x] period ?
 - Or [determined by DSO who made the booking] ?
 - Other options?

Applications for Capacity for Future Gas Years made during 2014-2015

- Applications for Capacity in Gas Year 2014-2015 will broadly follow the existing process:
- Shippers can apply up until the Mid Year Date (in this case 30th April 2015)
- Shippers will be able to apply for :
 - Joint Application for the same quantity of Exit and Entry Capacity
 - Exit Capacity only
 - Entry Capacity only
- All applications made from [implementation date] to 30th April 2015 will be considered together during May Assessment Window
 - Along with any surrender applications
- Late Long Term Capacity Applications (after April 30th 2015)
 - Exit Capacity applications will be considered at discretion of TSOs, as per existing code rules
 - But will not carry an Initial Entitlement of Entry Capacity
 - Applications for entry not allowed after 30th April

Transition Options for sales of October 2015 Capacity

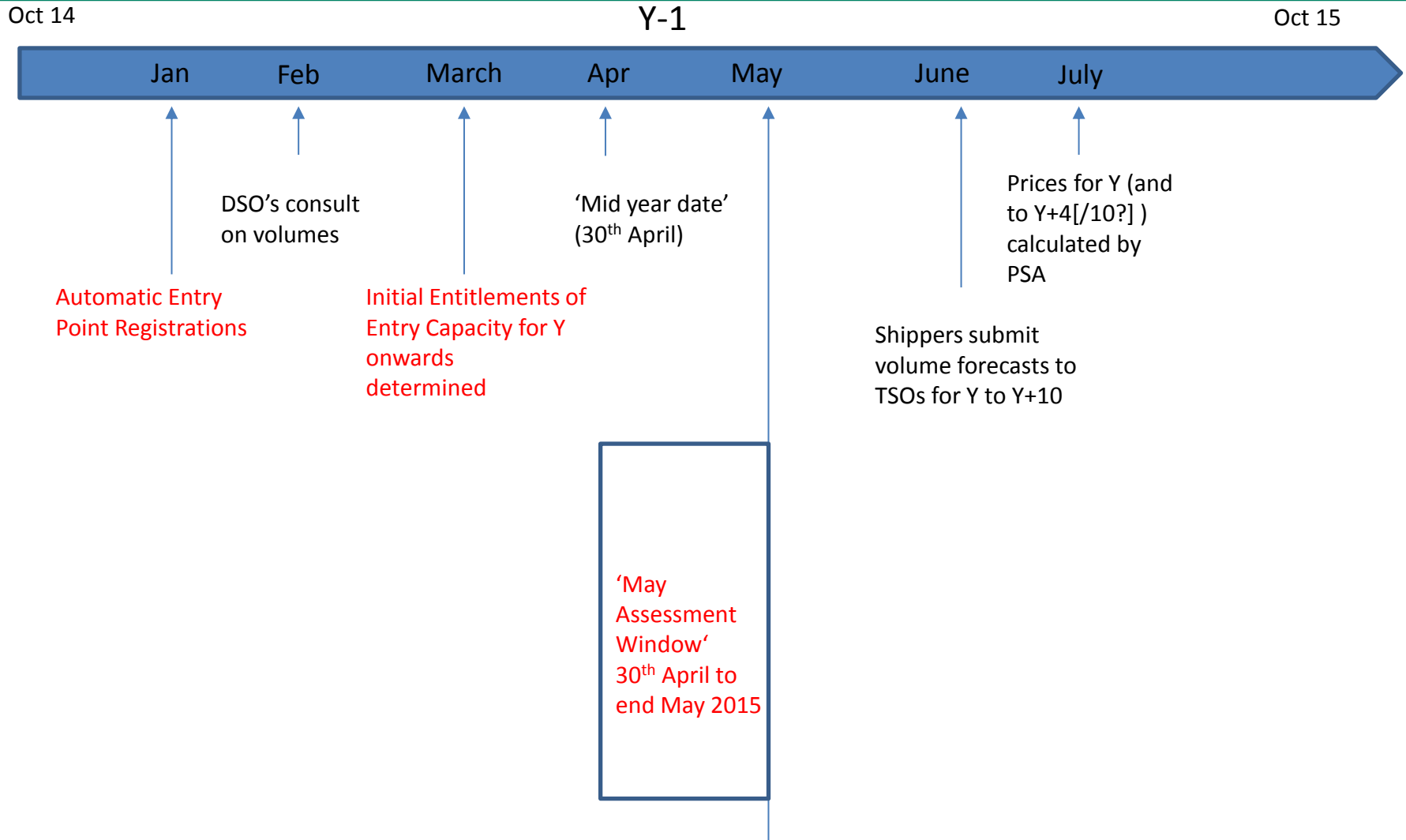
- NG will make its capacity available on PRISMA for bundled auctions from 31st October at Moffat
- Gaslink will make its capacity available on PRISMA for bundled auctions from 31st October at South North
- NI TSOs will make processes available for Shippers who wish to buy Entry Capacity for the month of October 2015
- Sale process under development, but options include:
 - Capacity for month of October 2015 only, also to be offered for sale during April 2015 Application Window, or
 - Monthly Auction for October held mid September on PRISMA (unbundled capacity only) and/or
 - D and D-1 Auctions for Daily Capacity to be made available on PRISMA starting 30th September 2015 (unbundled capacity only)
- Sale processes may be manual/workaround, due to IT implementation schedules
- The TSOs may take a different approach in respect of South North and Moffat Entry Points, for Oct 2015 capacity sales only
- TSOs propose to take views from Shippers as to preferred approach
 - but offer no guarantees as to what may be available at this stage

Surrender Rules for 2014-2015

- Shippers can apply to surrender Firm Capacity (=Exit Capacity) for future Gas Years during Gas Year 2014-2015
 - Surrenders = only in whole Gas Years
 - Accepted only if unfulfilled demand for Exit Capacity
 - Surrender Applications for Gas Year 2015-2016 must be received by 30th April 2015
 - Surrender Applications for Gas Years 2016-2017 onwards will be considered at the relevant Mid Year date prior to the relevant Gas Year
- No surrender of Initial Entitlements of Entry Capacity permitted
 - Important the current financial commitments to pay for capacity are maintained
 - However, if there is unfulfilled demand for Entry Capacity as a result of Capacity applications received by 30th April 2015
 - TSOs will hold a short invitation window and write to Shippers inviting Surrender of Entry Capacity
 - Terms (timescales etc) to be provided at the time
 - Ongoing Surrender rules for Entry Capacity will be part of the CAM Code implementation for October 2015

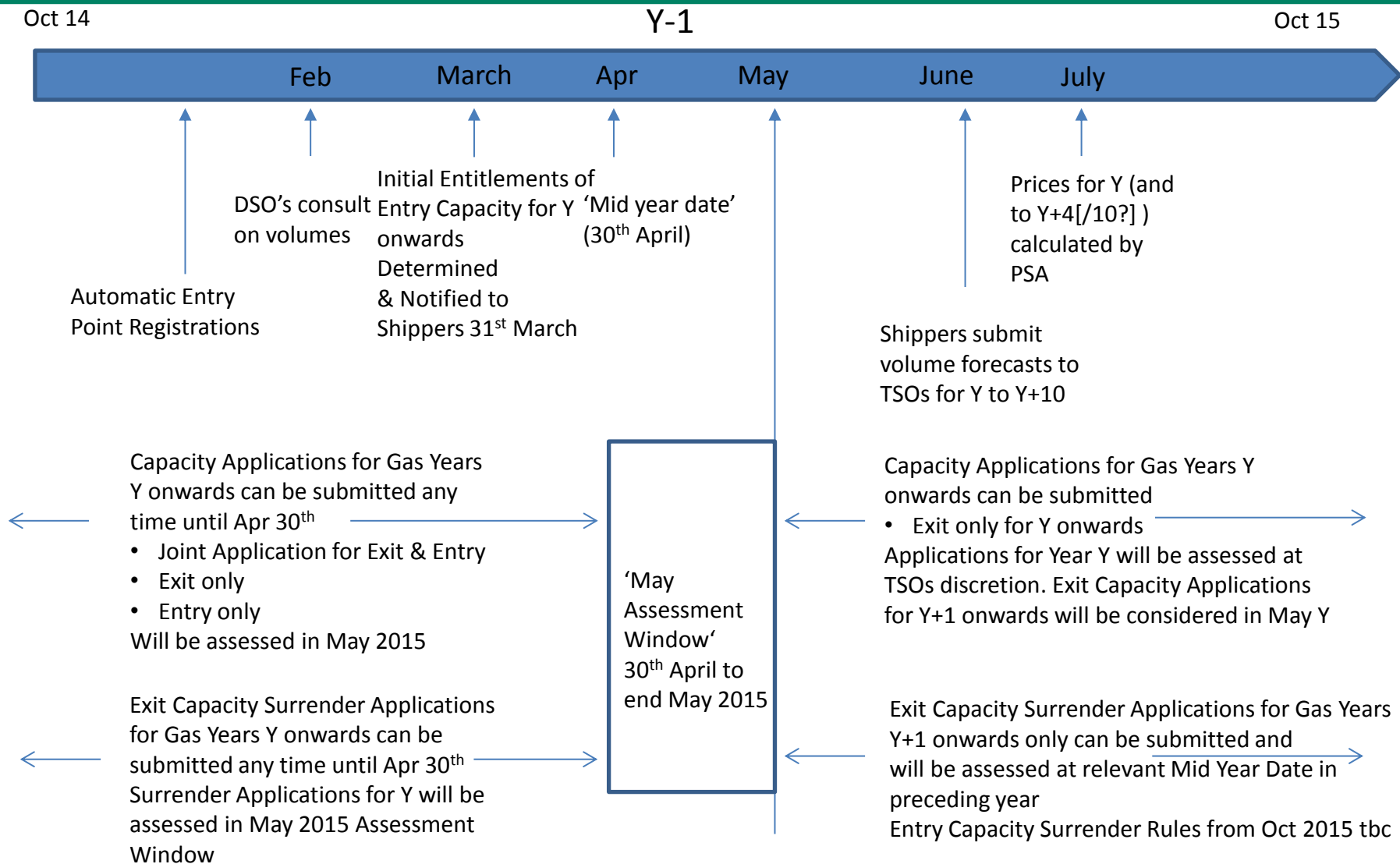
Capacity Application/Surrender Rules for 2014-2015

May Assessment Window/ Initial Entitlements determined in March



Capacity Application/Surrender Rules for 2014-2015

May Assessment Window/ Initial Entitlements determined in March



Other Transition Principles

- Shippers will still be able to apply for within-year (Y-1) capacity 10 days ahead of the first month in which it is required, or Daily Capacity as per the existing code rules
 - These applications will not invoke any Initial Entitlement of Entry Capacity for Y (since they are for a different period)
- Shippers will need to be registered at the relevant Entry Point
 - TSOs propose to automate this process
 - Some additional information provision by Shippers may be needed
 - Window for confirming registration will be [Jan 2015]
 - Details of the process and any information requirements will be provided in advance
- Prices (entry and exit) for Y will be calculated and published in [July]
 - NB prices published in advance are forecast prices, reconciliation process post year end will define Reconciliation price
 - Considering how/whether Indicative Entry Prices will be available prior to April 2015
- Credit Rules for Entry Capacity /new products will be developed during 2014-2015
 - Shippers will need to hold sufficient credit as of October 2015 to cover their Entry and Exit requirements
 - Total monetary value should not differ for each Shipper unless they are increasing their bookings
 - DSO Shippers will hold less credit with DSO and more with TSOs as a result

Other Transition Principles.... continued

- LTUIOLI
 - CMP compliant rules will be developed for entry
 - LTUIOLI rules will also be preserved at exit
- OS & BB
 - Will be developed to apply at entry / in conjunction with upstream TSOs for bundled products
 - Will no longer apply in relation to exit
- Shippers will be able to buy Short term Entry Capacity in PRISMA auctions starting [October 2015]
 - Unbundled capacity may not be available post Nov 2015
- Shippers will be able to offer to sell Entry Capacity on secondary market (on PRISMA)
- Shippers (who are also GB /ROI Shippers) may seek to bundle Entry Capacity with any upstream holding they may have
 - TSOs will provide appropriate process

Questions?