

OFREG Note on SNIP Capacity Shortfall and/or Emergency procedures, and when monies are recoverable by SONI for fuel switching.

July 2006

1 Introduction

- 1.1 In December 2005 key stakeholders in Northern Ireland's gas transmission industry participated in a simulation exercise to test the procedures in place to handle (1) a capacity shortfall in the network, and (2) an emergency. In the follow-up meeting held after the exercise it became apparent that there was some confusion and misunderstanding in these procedures.
- 1.2 To clarify any confusion or misunderstandings Ofreg hosted a forum with the TSOs and SONI in June 2006. The aim of the forum was to clarify the current procedures and seek opinion on whether any changes were needed.
- 1.3 Ofreg presented three scenarios during the forum, and the group participated in walk-through discussions of protocols under each scenario. The three scenarios were:
 - (i) D-1 Capacity Shortfall Day; and
 - (ii) Day D Capacity Shortfall; and
 - (iii) Emergencies.
- 1.4 This note will briefly examine each of the above scenarios and reiterate the procedures to follow in the event of each. The note will then clarify Ofreg's view on when costs associated with fuel switching by the power stations are recoverable by SONI.

2 D-1 Capacity Shortfall Day (CSD)

2.1 Definition

A D-1 CSD occurs if it is known on day D-1 that (1) aggregate nominations exceed available capacity on day D, or (2) the aggregate daily profiles exceed available capacity in a particular hour on day D.

2.2 Sequence of events and procedure

The following sequence of events is detailed in Section 6 PTL's network code.

- PTL learn of a D-1 CSD;
- If there is time, PTL inform SONI if revised power station nominations can avert the capacity shortfall (and also the reason for the capacity shortfall);
- SONI *may* advise either power station to renominate;
- PTL apply reductions to power stations' capacity allocation following receipt of renominations;
- If no renominations are received PTL apply reductions in the following order:
 - Ballylumford interruptible; then
 - Coolkeeragh firm; then
 - Ballylumford firm.
- If this does not avert the capacity shortfall, PTL inform the distribution networks if revised nominations are needed from them;
- PTL apply reductions to the distribution networks' capacity allocation following receipt of renominations;
- If no renominations are received PTL apply reductions *pro-rata* to the distribution networks.

Note that in the event of PTL needing to apply reductions to the distribution networks, it is likely an emergency will be called and emergency protocols would take over.

3 **Day D Capacity Shortfall**

3.1 Definition

A Day D Capacity Shortfall occurs if it becomes known on day D that (1) aggregate nominations exceed available capacity on day D, or (2) the aggregate daily profiles exceed available capacity in a particular hour on day D.

3.2 Sequence of events and procedure

The following sequence of events is also detailed in Section 6 PTL's network code.

- PTL learn of a Day D Capacity Shortfall;
- If there is time, PTL inform SONI if revised power station nominations can avert the capacity shortfall (and also the reason for the capacity shortfall);

- SONI *may* advise either power station to renominate;
- PTL apply reductions to power stations' capacity allocation following receipt of renominations;
- If no renominations are received PTL apply reductions in the following order:
 - On the first occasion
 - Coolkeeragh firm; then
 - Ballylumford interruptible; then
 - Ballylumford firm.
 - On the second occasion
 - Ballylumford interruptible; then
 - Coolkeeragh firm; then
 - Ballylumford firm.
 - The two orders above apply in rotation from then on – the 'flip flop' arrangements.
- If this does not avert the capacity shortfall, PTL inform the distribution networks if revised nominations are needed from them;
- PTL apply reductions to the distribution networks' capacity allocation following receipt of renominations;
- If no renominations are received PTL apply reductions *pro-rata* to the distribution networks.

Note that in the event of PTL needing to apply reductions to the distribution networks, it is likely an emergency will be called and emergency protocols would take over.

4 Emergencies

4.1 Definition

- An emergency *may* exist if:
 - There is an escape, or suspected escape of gas;
 - The safe conveyance of gas in the system is at risk;
 - Pressure in the system is such that it poses a possible danger to life or property;
 - Maintaining safe pressures is affected or threatened by an interruption or disruption, or insufficient deliveries of gas, or an actual or potential failure of or damage to part of the system;
 - Any other circumstance in PTL's opinion would constitute an emergency.
- An emergency *shall* exist if:

- PTL, in co-operation with NINEC, declare an emergency; or
- Gas to small load consumers (i.e. domestics) is reduced following a capacity shortfall.

4.2 Procedure

There are no prescriptive steps in PTL's network code that PTL must follow when dealing with an emergency, other than protocols regarding informing and keeping informed relevant parties. According to the code, in the event of an emergency PTL may take such steps as deemed necessary to deal with the emergency.

5 **Cost Recovery**

- 5.1 There are of course costs to the power stations associated with switching fuel from gas to distillate. A number of agreements exist governing how these costs may be recovered, both by the power stations (from SONI) and by SONI (from electricity consumers through the SSS Charge). Ofreg will now clarify its view as to when these costs are recoverable.
- 5.2 Firstly, any agreement between the power stations and SONI regarding how the power stations recover fuel switching costs from SONI is a matter for each power station and SONI. As NIAER is not party to these agreements, NIAER is unable to provide advice on how costs are passed from power station to SONI.
- 5.3 Under certain conditions and subject to approval by NIAER, any costs to SONI associated with fuel switching may be included in the term D_{TSOt} from the formula set out in paragraph 2 (Restriction of SSS charges: basic formula) of Schedule 5B of NIE's Licence. The conditions under which NIAER will allow SONI to include fuel switching costs in the term D_{TSOt} are detailed below.
- 5.4 As stated in 2.2 and 3.2 above, if there is sufficient time PTL will inform SONI of the reason for the capacity shortfall and if revised power station nominations will avert the capacity shortfall. **SONI can recover the costs of power stations switching fuel if and only if fuel switching is necessary as a result of aggregate nominations (or the aggregate daily profile in any hour) exceeding available capacity under normal operating conditions.**
- 5.5 Therefore if a capacity shortfall is the result of some operational constraint on SNIP e.g. pressure falling below 64 bar, SONI will be informed of the reason for the capacity shortfall by PTL and SONI will not be allowed to pass through fuel switching costs under the SSS Charge.

6 Summary and Conclusion

- 6.1 The procedures to follow in any of the three scenarios are clearly laid out in the PTL network code. If any party feels the process could be improved then please contact Ofreg to discuss the matter.
- 6.2 SONI will be able to fully recover any costs associated with fuel switching, but only in the event of a capacity shortfall arising due to nominations exceeding available capacity on SNIP under normal operation conditions.
- 6.3 PTL plan to carry out a simulation capacity shortfall and emergency exercise towards the end of the year. The exercise will help clarify procedures and provide a further learning opportunity.