

**Notice under Article 14(2) of
the Gas (Northern Ireland)
Order 1996**

**Proposed Modification of Gas
Conveyance Licences –
Postalised Transmission Tariff
Published Prior to 31 May.**

**Consultation Paper
6th October 2017**



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 gives notice of amendments the Utility Regulator proposes to modify gas conveyance licences such that postalised transmission charges are published on or before 31 May each year. The principle modifications will be made to the four licences held by Premier Transmission Ltd, Belfast Gas Transmission Ltd, West Transmission Ltd and GNI (UK) Ltd. In addition supporting modifications are required in the three licences held by SGN Naturals Gas Ltd, Phoenix Natural Gas Ltd and Firmus Energy (Distribution) Ltd.

Audience

This document is likely to be of interest to the licence holders 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 proposed modifications will permit network users to base their capacity booking decisions on timelier tariff information. The modifications will also insure compliance with the EU Tariff Network Code.

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ACRONYMS AND GLOSSARY

BGTL	Belfast Gas Transmission Limited
FE	Firmus energy (Distribution) Limited
FOIA	Freedom of Information Act
GNI (UK)	Gas TSO operating in Northern Ireland
MEL	Mutual Energy Limited
NI	Northern Ireland
PTL	Premier Transmission Limited
PNGL	Phoenix Natural Gas Limited
SGN	SGN Natural Gas Limited
TSO	GNI (UK), PTL, BGTL and WTL. WTL is not a TSO (Transmission System Operator) as defined by the European Commission but it is referred to as a TSO in this document for simplicity.
UR	Utility Regulator
WTL	West Transmission Limited

NOTICE UNDER ARTICLE 14(2) OF THE GAS (NORTHERN IRELAND) ORDER 1996

In pursuance of its powers under Article 14(1) of the Gas (Northern Ireland) Order 1996 (as amended) (the “Order”) the Northern Ireland Authority for Utility Regulation (hereafter referred to as the Utility Regulator) hereby gives notice under Article 14(2) as follows:

1. The Utility Regulator proposes to modify the gas conveyance licence held by GNI (UK) Limited, West Transmission Limited, Belfast Gas Transmission Limited and Premier Transmission Limited. The proposed modifications will:
 - Provide network users with more timely information on the level of postalised transmission tariffs prior to annual entry capacity auctions.
 - Facilitate compliance with the EU Tariff Network Code.
 - Align the timing of the tariff setting process across the four licence holders.
2. The Utility Regulator also proposes to modify the gas conveyance licence held by Scotia Gas Networks (Northern Ireland) Ltd¹, Firmus Energy (Distribution) Ltd and Phoenix Natural Gas Ltd. The proposed modifications will:
 - Require licence holders to develop demand forecasts within a timeframe which facilitates the achievement of the purposes set out above.
3. The reasons for and effects of these modifications are explained in sections 2 and 3 of this document. The proposed modifications are set out in Annex 1 to Annex 7 of this document.
4. The purpose of this notice is to bring the proposed modifications to the attention of persons likely to be affected by them, and to invite representations or objections in connection thereto. In line with Article 14(3) of the Order, any representations or objections with respect to the proposed modifications may be made on or before 12.00 noon on 3rd November 2017 to:

Graham Craig

Utility Regulator

Queens House

14 Queens Street

Belfast BT1 6ED

Email: Gas_networks_responses@uregni.gov.uk with cc to graham.craig@uregni.gov.uk

5. The Utility Regulator has, pursuant to Article 14(4) of the Order, served a copy of this notice on the licensees and sent a copy to the Department for the Economy. The Utility

¹ Since being granted the licence this company has subsequently changed it's branding to SGN Natural Gas Ltd.

Regulator has also sent a copy of this notice to the Consumer Council.

6. Dated this 6th October 2017.

1 Introduction

Purpose of this Document

- 1.1 Our principal objective in carrying out the duties associated with our gas functions is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland, and to do so consistently with our fulfilment of the objectives set out in the European Gas Directive², and by having regard to a number of matters, as set out more fully in the Energy (Northern Ireland) Order 2003.
- 1.2 In line with these duties this document sets out proposals to modify the gas conveyance licences held by
 - GNI (UK) Limited (GNI (UK)),
 - Premier Transmission Limited (PTL);
 - Belfast Gas Transmission Limited (BGTL),
 - West Transmission Limited (WTL),
 - Phoenix Natural Gas Limited (PNGL);
 - Firmus Energy (Distribution) Limited (FE);
 - SGN Natural Gas Limited (SGN)³.
- 1.3 The proposed modifications will facilitate compliance with the EU Tariff Network Code (EU 2017/460). We propose implementing the changes a year earlier than necessary in recognition of the annual entry capacity auctions being moved to July from 2018. Network users participating in this auction will thus have sight of the postalised tariffs they will be charged in the following gas year.
- 1.4 The proposed licence modifications will:
 - Provide network users with more timely information on the level of postalised transmission tariffs prior to annual entry capacity auctions;
 - Facilitate compliance with the EU Tariff Network Code;
 - Align the timing of the tariff setting process across the four licence holders;
 - Require Distribution Network Operators to develop demand forecasts within a timeframe which facilitates the achievement of the purposes set out above.

² Directive 2009/73/EC of the European Parliament and the Council of 13 July concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

³ This licence was originally granted to Scotia Gas Networks Northern Ireland Limited. The company has subsequently changed name to SGN Natural Gas Limited.

Overview over Proposed Licence Modifications

- 1.5 We have already amended the commercial gas regime in Northern Ireland to comply with the requirements of a number of EU Network Codes including Capacity Allocation Mechanism, Balancing and Interoperability. The Tariff Network Code published in March 2017 requires that from 2019 onwards the Reserve Prices for transmission entry capacity to be allocated by auction must be published on or before 31 May each year.
- 1.6 The current arrangements mean that in July 2018 network users will be participating in auctions for annual entry capacity without certainty as to what price they will actually be required to pay for that capacity in the gas year commencing 1 October 2018. Simultaneously the Designated Pipeline Operators will be calculating the relevant Reserve Price to be published a few weeks after the auctions.
- 1.7 The intention of the EU Tariff Network Codes is that from 2019 auction participants should have certainty as to the price they will pay for annual entry capacity, in the following gas year, as a result of their bidding behaviour. We propose that it would be sensible to make these changes for the 2017/18 gas year.
- 1.8 Table 1 provides an overview of the affected conveyance licence conditions for each licence holder that is funded by the postalised transmission tariff. Similarly, table 2 provides an overview for Distribution Network Operators.

Table 1: Licence Modification Overview – Postalised Transmission Tariff

Section Name	GNI (UK)	PTL	BGTL	WTL
Revenue Restriction During the Period of Designation		3.1.2	3.1.2	4.3.2
Application of the Revenue Determination Formula during Revenue Recovery Period	2.2.1.1			
Duty to provide forecasts and information relating to the calculation of the Postalised Charges	2A.2.3	2A.2.3	2A.2.3	2A.2.3
Publication of Postalised Charges	2A.2.7	2A.2.7	2A.2.7	2A.2.7

Table 2: Licence Modification Overview – Distribution Network Operators

Section Name	FE	PNGL	SGN
Exit Capacity Booking	2.12	2.13	2.19

Responding to this Consultation

- 1.9 Responses to this consultation paper should be submitted by 12.00 noon on 3rd November 2017. Responses should be sent to:
- Graham Craig
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ED
- Email: Gas_networks_responses@uregni.gov.uk with cc to graham.craig@uregni.gov.uk
- 1.10 The Utility Regulator's preference would be for responses to be submitted by e-mail.
- 1.11 Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, the Utility Regulator will also ask respondents to supply the redacted version of the response that can be published.
- 1.12 As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this. In particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.
- 1.13 This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Utility Regulator, which will be happy to assist.

Document Structure

- 1.14 This consultation paper is structured in a number of chapters as follows:
- *Chapter 1 Introduction* provides an overview of the purpose and structure of this consultation document, and details on how to respond to the licence consultation.
 - *Chapter 2 Revised Tariff Setting Timetable Aligned Across All Designated Pipeline Operators* describes the proposed modifications to allow the reserve price to be published on or before 31st May.
 - *Chapter 3 Distribution Network Operators Exit Capacity Forecasts* describes proposed modifications to require Distribution Network Operators to forecast Exit Capacity Bookings in line with the revised tariff setting process timetable.
 - *Chapter 4 Next Steps* outlines the proposed timelines for the remainder of the licence modification process.
- 1.15 For each licence holder, there is an annex in which we set out the proposed licence modifications as tracked changes to the current licence conditions. Within the annexes

proposed deletions are indicated by red text that has been struck through, proposed additions are indicated by red text highlighted in yellow.

2 Revised Tariff Setting Timetable Aligned Across All Designated Pipeline Operators

Proposed Licence Modification

- 2.1 We propose to modify the following licence conditions in each of the relevant licences as follows.

Table 3: Licence Modification – Revised Tariff Setting Process

Section Name	GNI (UK)	PTL	BGTL	WTL
June March		3.1.2 (b)	3.1.2 (b)	4.3.2 (b)
first fifteenth Business Day in July March	2.2.1.1 (c)			
the fifth business day in April two weeks after the provision of the calculation of Forecast Required Revenue pursuant to paragraph (b),		3.1.2 (c)	3.1.2 (c)	4.3.2 (c)
no later than the tenth Business Day of April within fourteen days of the date of the notice,		3.1.2 (c)	3.1.2 (c)	4.3.2 (c)
July April	2.2.1.1 (e)	3.1.2 (d)	3.1.2 (d)	4.3.2 (d)
last fifteenth Business Day in June March	2A.2.3.1 (a)	2A.2.3.1 (a)	2A.2.3.1 (a)	2A.2.3.1 (a)
twelfth fourth	2A.2.3.1 (e)	2A.2.3.1 (e)	2A.2.3.1 (e)	2A.2.3.1 (e)
thirteenth fifth	2A.2.3.1 (e)	2A.2.3.1 (e)	2A.2.3.1 (e)	2A.2.3.1 (e)
July April	2A.2.3.1 (e)	2A.2.3.1 (e)	2A.2.3.1 (e)	2A.2.3.1 (e)
July April	2A.2.3.1 (f)	2A.2.3.1 (f)	2A.2.3.1 (f)	2A.2.3.1 (f)
thirteenth fifth	2A.2.3.1 (g)	2A.2.3.1 (g)	2A.2.3.1 (g)	2A.2.3.1 (g)
July April	2A.2.3.1 (g)	2A.2.3.1 (g)	2A.2.3.1 (g)	2A.2.3.1 (g)
3 Business Days after notification to it by the PSA of 31st May each year	2A.2.7 (a)	2A.2.7 (a)	2A.2.7 (a)	2A.2.7 (a)

Reasons and Effects

- 2.2 The current tariff setting process begins in the middle of June and ends with the the various postalsised tariffs being published in early August by licence holders. However

the timetable for supply of data to the Authority varies between licence holders and between whether the data relates to forecast revenue requirements or gas volumes. In addition there is the objective of shifting the process to earlier in the year for the purposes of compliance with the EU Tariff Network Code. We also propose that the process should become more aligned so that all licence holders supply all relevant data to the Authority and or other relevant parties on the same date.

- 2.3 The EU Tariff Network Code requires that Reserve Prices used in the annual entry capacity auctions should be published on or before 31st May each year, commencing in 2019. This will mean that auction participants will have notice of Reserve Prices prior to the auction process in July. The annual entry capacity auction is moving from March to July in 2018, we therefore propose to modify the licence now so that auction participants have Reserve Price information in preparation for the July 2018 auctions. We also propose that the tariff setting process should run from mid-March with the postalised tariffs for the various transmission services being published in early May. This will give auction participants more time to consider the future Reserve Price ahead of the entry capacity auctions. It will also provide for some slippage in the project without putting at risk compliance with the EU Tariff Network Code.
- 2.4 We therefore propose to modify the licences as set out above with references to June replaced by March and those to July replaced by April as set out in Table 3 above. One reference in Condition 2.2.1.1 in the GNI (UK) licence we propose to modify from July to March. This relates to the provision of required revenue data to the Authority and this modification will align the requirements under the GNI (UK) licence with those in the PTL, BGTL and WTL licences.
- 2.5 And in addition modify Condition 2A.2.7 (a), which is common to all four licences such that the licence holder must publish postalised charges by 31st May, rather than the current requirement which is three Business Days after notification by the PSA. This change ensures publication in line with the EU Tariff Network Code in a clear and unambiguous way.
- 2.6 To achieve alignment of data provision to the Authority across the licences for both allowed revenue and volume. We propose to replace first with fifteenth, Business Day in Condition 2.2.1.1 in the GNI (UK) licence, and to replace last with fifteenth, Business Day in Condition 2A.2.3.1 (a) of all four licences. The former modification in combination with that highlighted in the paragraph above ensures that GNI (UK), PTL, BGTL and WTL supply required revenue data to the Authority on the same day. The latter modification results in all licence holders submitting volume data on the same day as the required revenue data.
- 2.7 And in addition to align the timelines within which the Authority may give notice to amend a licence holder's volume forecast, Condition 2A.2.3.1 (e) and challenge the forecast required revenue of PTL, BGTL, Condition 3.1.2 (c) and WTL, Condition 4.3.2 (c). In all cases we propose to modify the licences such that these notices must be given by the Authority on or before the fifth Business Day in April. In addition we propose to modify Condition 2A.2.3.1 (g) such that if no volume forecast has been provided to the Authority by the fifth Business Day in April the Authority may by verified notice determine the appropriate volume forecasts. This will ensure continued alignment of parts (e) and (g) of Condition 2A.2.3.1.
- 2.8 And in addition to modify PTL, BGTL, Condition 3.1.2 (c) and WTL, Condition 4.3.2 (c) such that the licence holder is required to submit a revised forecast of required revenue by the tenth business day in April. At present the timelines set out in these conditions are

defined in terms of an event having to occur within a certain time of the previous event occurring. For consistency of approach we believe that a defined dates approach is more appropriate and brings greater clarity and certainty to the process.

- 2.9 Finally we propose to replace reference in Condition 2A.2.3.1 (e) to the twelfth Business Day with the fourth Business Day to align with other proposed changes with regard to notices to be issued by the Authority on the fifth Business Day.
- 2.10 We consider that these alignments simplify and bring greater clarity to the tariff setting process and reflect the closer working relationships between the four licence holders that will result from the establishment of Gas Market Operator (Northern Ireland) as the single system operator of the high pressure pipeline system.
- 2.11 Table 4 compares the existing tariff setting process with that should we determine to implement the various proposed modifications.

Table 4: Comparison – Existing and Proposed Licence Requirements

Current Licences		Modified Licences	
Business Day	Licence Condition	Business Day	Licence Condition
15 th day of June	Forecast Revenue Requirement submitted to the Authority <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 (b) • WTL Condition 4.3.2 (b) 	15 th day of March	Forecast Revenue Requirement submitted to the Authority <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 (b) • WTL Condition 4.3.2 (b) • GNI (UK) Condition 2.2.1.1 (c) Forecast volumes submitted to the Authority <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (a)
last day of June	Forecast volumes submitted to the Authority <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (a) 		
1 st day of July	Forecast Revenue Requirement submitted to the Authority <ul style="list-style-type: none"> • GNI (UK) Condition 2.2.1.1 (c) 		
		4 th day of April	Closure of interested parties into estimate of forecast volume <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (e)
3 rd day of July	Authority notice of challenge to Forecast Required Revenue <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 2 (c) • WTL Condition 4.3.2 (c) 	5 th day of April	Authority notice of challenge to Forecast Required Revenue <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 2 (c) • WTL Condition 4.3.2 (c) Authority Notice to amend forecast volumes <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (e)

Current Licences		Modified Licences	
Business Day	Licence Condition	Business Day	Licence Condition
12 th day of July	Closure of interested parties into estimate of forecast volume <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (e) 		
13 th day of July	Resubmission of Forecast Revenue Requirement to the Authority <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 2 (c) • WTL Condition 4.3.2 (c) Authority Notice to amend forecast volumes <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (e) 	10 th day of April	Resubmission of Forecast Revenue Requirement to the Authority <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 2 (c) • WTL Condition 4.3.2 (c)
15 th day of July	Forecast Required Revenue submitted to the PSA <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 (d) • WTL Condition 4.3.2 (d) • GNI (UK) Condition 2.2.1.1 (e) Forecast volumes submitted to the PSA <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (f) 	15 th day of April	Forecast Required Revenue submitted to the PSA <ul style="list-style-type: none"> • PTL & BGTL Condition 3.1.2 (d) • WTL Condition 4.3.2 (d) • GNI (UK) Condition 2.2.1.1 (e) Forecast volumes submitted to the PSA <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.3.1 (f)
No defined date	Publication of Postalised Charges as calculated by PSA <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.7 (a) 	31 st May	Publication of Postalised Charges as calculated by PSA <ul style="list-style-type: none"> • PTL, BGTL, WTL and GNI (UK) Condition 2A.2.7 (a)

3 Distribution Network Operators Exit Capacity Forecasts

Proposed Licence Modification

- 3.1 We propose to modify the following licence conditions in each of the relevant licences as follows.

Table 6: Licence Modification – DNO Exit Capacity Forecasts

Section Name	FE	PNGL	SGN
21 st February January	2.12.3 (a)	2.13.3 (a)	2.19.3 (a)
21 st March February	2.12.3 (b)	2.13.3 (b)	2.19.3 (b)

Reasons and Effects

- 3.2 The Exit Capacity Booking condition in each licence requires that the Distribution Network Operator holds sufficient exit capacity on the transmission system to meet the 1 in 20 peak day demand of firm supply points on the distribution network. The licence holder is required to consult on its assessment of the required level of exit capacity bookings no later than 21st February each year and publish a final statement by 21st March each year.
- 3.3 Our proposed modifications as set out in Section 2 above will require the submission of forecast volume data to the Authority by no later than the 15th Business Day in March. Licence holders will need some time to prepare the data to be submitted. This will require input from the DNO's with regard to future exit capacity bookings. For this reason the existing timetable set out in their licences is no longer compatible with that we propose for setting the postalised transmission tariff. We therefore propose to modify the DNO licences such that the consultation and final assessment are set one month earlier. This does not of course prevent the DNO's from completing the process by an earlier date. As a consequence of this modification DNO's will be able to input their most up to date forecasts of exit capacity bookings into the postalised tariff setting process.

4 Next Steps

Conclusion and next steps

- 4.1 This paper represents the Utility Regulator’s proposals on modifications to all seven gas conveyance licences. Table 7 summarises the next steps and associated timelines for the licence modification process.
- 4.2 We recognise that if we determine that these modification proposals should be approved then licence holders may need to reflect these modifications in their network codes. We would suggest that licence holders may wish to begin considering what network code modifications would be required and how long these would take to implement. This would be useful information to provide us with as part of any consultation response.
- 4.3 Without prejudice to any decision we might make following this consultation process licence holders should be taking the actions necessary so that if approved the postalised transmission charges for the Gas Year commencing 1st October 2018 can be published no later than 31st May 2018.

Table 7: Next Steps

Next Steps	Proposed Date
Notice of Proposal to Modify Published	6 October 2017
Statutory Consultation closes	3 November 2017
Notice of Determination Published	20 November 2017
Licence Modifications Effective Date (if approved)	15 January 2017

Annexes

Annexes

In each annex proposed modifications are in **red** font, deletions are ~~struck through~~ while additions are highlighted in **yellow**.

Annex Number	Annex Name
Annex 1	Proposed GNI (UK) Licence Modifications
Annex 2	Proposed PTL Licence Modifications
Annex 3	Proposed BGTL Licence Modifications
Annex 4	Proposed WTL Licence Modifications
Annex 5	Proposed PNGL Licence Modifications
Annex 6	Proposed FE Licence Modifications
Annex 7	Proposed SGN Licence Modifications

