Summary of Consultation Responses

Capacity Allocation Mechanisms

and Changes for Entry-Exit

Business Rules

Version 1.0

11th February 2015

premier TRANSMISSION belfast gas TRANSMISSION BGE (Northern Ireland)

Matter/Subject	Comments	TSOs Response
The proposals for use of PRISMA.	All 5 respondents raised no objection to the use of PRISMA as the Capacity Booking Platform. ESB requested additional graphics and diagrams to demonstrate the auction timings in particular. ESB questioned the suggested use of 'linked auctions' and would like more information on the planned coordination between GB, RoI and NI TSOs and NRAs on this matter, especially in the context of IP clustering which was raised by CER/Gaslink during 2014.	The Transmission System Operators (TSOs) welcome this support. Additional graphics and diagrams in relation to the auction timings can be found on the PRISMA website and are included in the presentation given during the PRISMA workshop in November. This presentation is available on the UR website. This concept was discussed at the PRISMA workshop. After conducting capacity demand analysis, the respective TSOs determined that the likelihood of competition for capacity between NI and ROI at the Moffat IP is minimal and a low risk. Therefore it was agreed with the NRAs that the PRISMA auctions should be configured with 'competing auctions' or as we have defined them, 'linked auctions'. It should be noted that the requirement for linked auctions and the lack of unbundled capacity are separate issues. National Grid has much more technical capacity and consequently more unsold capacity than PTL, so there will be no unbundled capacity available on the PTL side. Whether or not auctions are linked depends on the total amount of unsold capacity for both ROI and for NI as compared to the amount of unsold capacity on the GB side. With regard to IP clustering, there are no plans for this.

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	ESB stated that linkage between auctions could mean that e.g. NI Shippers would have to pay the RoI regulated Entry price, which is not relevant to NI Shippers or end-users and commented that Security of supply could also become an issue. firmus energy encourage the NI TSOs to ensure the new interfaces, and the related record, between their own systems, to enable Shippers' allocations of capacity made via PRISMA are sufficiently robust. PNGL asked for confirmation that for the purpose of making an amendment to the current capacity booking at exit the DNO will utilise the existing process by submitting the pro-forma designed for this purpose to the TSOs in line with current timescales, will not be required to register for or use the PRISMA booking platform and will not require a European Identity Code.	This was discussed during the decision-making process. As noted above, the risk of competition is minimal and therefore this scenario should not arise. However, Shippers should ensure they are familiar with the operation of linked auctions (in particular how capacity is allocated in this scenario) to ensure that they can take it into consideration in their bidding strategy if competition for capacity was to occur. Much of the way in which TSO interfaces need to operate are prescribed by the Interoperability Code, and the TSOs are working to ensure that interfaces will be robust. There will be minimal changes to the Exit Capacity booking process. There are currently no plans for PRISMA to be used for Exit bookings while only an annual product is offered. However, whilst the DNOs shall not be using PRISMA, recent developments in system design mean that European Identity Codes (EIC) will be used as identifiers in the new Aligne system. As this system produces the invoices for Exit Capacity on the PTL network, all users of Aligne (Shippers and DNOs) will be required to apply for and provide an EIC. The process of obtaining an EIC is very straightforward and there are no direct costs therefore we expect that this requirement should not be an issue for any Aligne user.
The IP Capacity products on offer.	4 respondents welcome the development of IP products. AES and PPB would like to see the provision of the reciprocal products at NI exit points.	The TSOs welcome this support. The extent of the changes to the NI regime means that this is not deliverable for October 15. Once the project to implement European obligations is complete, subject to budget availability, the TSOs are planning to hold a review of the

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		capacity products available at Exit.
	PPB considers there could be advantages in offering additional products (for example, Balance of Year, Balance of Quarter, and Balance of Month).	At present, there are no plans to offer any additional products at the IPs other than those specified in Regulation (EU) 984/2013. The introduction of non-standard products would involve co-ordination with Adjacent Transporters and changes to the PRISMA system. The associated costs would be levied on the TSOs requesting the change. Licence and tariff changes would also be required. However, if there were significant demand for these non-standard products the TSOs would be willing to discuss this matter at a later date.
	ESB find the description of VRF Exit Capacity at 6.8.1 to be unclear and note the standard units for PRISMA use to be kWh/d.	The TSOs would be grateful if Shippers would specify what is unclear. The TSOs encourage Shippers to contact them directly if they are seeking clarity on any aspect of material produced. At present, the standard units in PRISMA are kWh/h however; a change request has been submitted to facilitate the usage of kWh/d.
	ESB commented that the intention for Quarterly product set aside is not made clear in Section 6.6 of the Business Rules.	Capacity is only to be 'set aside' from the amount on offer in the Annual Yearly capacity auctions. Quarterly Auctions only sell capacity for the four quarters of the next gas year so capacity does not have to be 'set aside' from the amount offered in them. Capacity which has been previously set aside from the annual auctions will be offered for sale in the quarterly auctions.

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	PPB queried how the standard product price links to the wider code requirements that requires greater flexibility in emergency and other short term timeframes for certain capacity (in particular power station users) to provide greater flexibility than others (e.g. domestic consumers) and suggested that an alternative would be for the TSOs to purchase (or buy-back) this flexibility (interruptibility) from the power stations such that power station users are not paying the same capacity price as the wider retail customers for an inferior capacity product.	The possibility of an Exit capacity buyback arrangement is something that could be discussed in the context of future market development at a later date. It is important to note and clarify that the current proposals do not offer an inferior product to any party. The same rules apply across the NI Network i.e. there is no interruptible product offered at any Exit Point. The concept of power station users paying the same price as the wider retail customers for an inferior capacity product is not correct.
The arrangements for secondary trading of IP Capacity.	4 respondents welcome the development of the arrangements for secondary trading of IP capacity at an IP. PPB questioned the liability of the original capacity holder for all payments; (do they remain liable for capacity charges or also commodity charges that relate to the gas nominated for transportation through the capacity.) PPB also asked for clarification of the terms of transfers; (can a transfer be agreed bilaterally and can then just submit a transfer proposal on the PRISMA platform and the ability of parties to post 2 offers to buy or sell and questioned the confidentiality of the price agreed by the trading parties.)	The TSOs welcome this support. The original capacity holder will be liable for the capacity payments. The commodity charges will be paid by the party who flows the gas. The only option that is available is an Over the Counter trade. The two parties can agree to the details of the trade (quantity, price duration etc) and execute on PRISMA. The price remains confidential.
Assignment of IP Entry Capacity.	4 respondents support the inclusion of a permanent arrangement in the code for the assignment of IP Entry Capacity. AES also believes that a transitional arrangement for one year may also be sufficient. firmus energy supports the provisional arrangements with a view to reviewing these at a later date.	The TSOs welcome this support.

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	ESB questioned why assignment was not an option earlier in this process, as Shippers have already had to make plans to prepare for CAM implementation based on the information available to them at the time. ESB also requested there be further clarification In the Code in relation to the rules for unassignment, reassignment, secondary trading of assigned capacity etc. PPB commented that the functionality should be provided for in the PRISMA platform that would enable assignment in addition to the shorter-term transfer arrangements and suggested that the timelines would need further consideration.	Unfortunately, timescales are such that the TSOs have not had the opportunity to complete the CAM rules prior to designing the transition rules (which were focused on providing the opportunity to buy unbundled capacity). These arrangements are set out in the draft Code text published for consultation. Assignment will not be provided for in the PRISMA platform. Assignment of bundled capacity is not possible as the Adjacent TSOs do not propose to facilitate assignment at all. However the Codes shall contain details of the process for assigning unbundled capacity.
The proposals to facilitate voluntary bundling of IP Entry Capacity.	4 respondents welcome the TSOs proposals to facilitate voluntary bundling of IP Capacity. ESB and PPB both commented that timelines might need further consideration.	The TSOs welcome this support. The timelines also depend on Adjacent Transporters. This issue is the currently being discussed by the relevant parties.
IP Capacity Overrun Charges.	AES believes the overrun penalty charge to be excessive and although applied only at the IP would have concerns regarding the availability of short-term capacity products, particularly within day to ensure that overrun charges are not incurred.	The TSOs believe that the proposed overrun charge is set at an appropriate level to incentivise Shippers to ensure they have sufficient IP Entry Capacity in place. The level has been benchmarked against Adjacent Transporters. Given that Shippers have the ability to obtain within day IP Capacity up to 00:30 on Day D, we expect it to be rare that overrun penalties are applied.

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The proposal to remove the Daily Capacity product at Exit.	4 respondents do not object to the removal of the current daily capacity product at Exit, noting that the long lead-time for purchase of this product made it impractical.	The TSOs welcome this support.
The proposal to provide a firm Exit Capacity product by over-nomination.	All respondents expressed concerns with the proposed ratchet mechanism. AES, PPB and ESB commented that the ratchet mechanism is not in line with the flexible/intermittent direction government has set for electricity.	The TSOs acknowledge the concerns of Industry with regard to the introduction of this new concept and have flagged the concerns to UR. The move to an Entry Exit regime from a Point-to-Point one means that the current over nomination rules are no longer appropriate. With obligations on the DNOs to book a certain level of Exit Capacity on behalf of their Shippers and no equivalent obligations on other Shippers, if the current rules were to remain, non DNO Shippers would be incentivised to book a minimal amount or no capacity at Exit points. This would result in a disproportionate allocation of costs to users in the NI market. The TSOs have been directed to minimise changes to Exit arrangements for October 2015, this means there will not be any new Exit Capacity products being offered at this time. The only product available will be an annual product. Given this, Shippers should be booking a sufficient amount to cover their peak usage during the gas year. The Ratchet mechanism being proposed is a transparent and straightforward method to address this potential shortfall issue and any allocation through this mechanism will be a result of an insufficient booking. There will be no additional penalties; the costs associated with this mechanism are the same as if the correct booking was made at the start of the gas year. This is a wider discussion and will set some of the context for the Exit Capacity Review.

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	Firmus energy and PNGL state that the concept would add further unnecessary complexity for DNOs and uncertainty for suppliers in terms of their monthly invoices. PNGL commented that no consideration given to how the DNO would recover these costs and that the DNO's current capacity methodology (for 1 in 20 Winters) is robust and would unable to break this total requirement down into individual shipper requirements as the gas supplier's portfolios change on a daily basis and could not identify the responsible shipper for the overrun.	Given the high level of capacity bookings, which have not been exceeded since 2010, the risk of the DNO Shippers nominations exceeding the capacity booking should be low; however, the TSOs recognise that this still may occur in extreme conditions and despite the anticipated rarity, acknowledge that the DNOs will need to have the appropriate processes in place. Our understanding is that the current Exit booking costs are not targeted at specific Shippers and are passed on, as a commodity charge; therefore, we do not see why it would be appropriate to target additional capacity charges at specific Shippers.
	ESB commented that the Business Rules state that "an appropriate rate" will be charged to the Shipper for over-nomination. UR's consultation indicated its intention that the charge for this capacity usage in excess of booked capacity will be the 'reserve price for daily capacity', plus the commodity charge.	Please refer to UR's Conclusion Paper published on 5th February 2015 for UR's
	ESB also would like to understand how exit capacity that was previously only interruptible could now all be deemed as effectively firm and the reason behind the change of exit arrangements and suggested that any change in exit arrangements should not be required until any change in entry booking behaviour can be observed.	The concept of the interruptible product in the NI regime was introduced to facilitate the arrangements whereby DNOs hold Exit capacity on behalf of their Shippers. This product is effectively firm and has never been interrupted. If it were to be retained and classified as interruptible the pricing, in line with EU requirements would be associated with the risk of interruption. Given the risk of interruption, based on previous experience, is zero the product would be priced at the firm rate.

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The proposals for a Shipper Forecast Information Request form to collect annual Shipper forecasts	4 respondents have no objection to the proposal for a shipper forecast information request form to collect annual shipper forecasts however but note the ability to forecast accurately may be difficult, particularly further into the future. AES would like to see the level of detail required in both forecasts. ESB commented that requirements to provide information on the type and duration of capacity products that a Shipper estimates he will purchase and use in the coming years might go beyond the European requirement. Firmus would like TSOs to ensure that Shippers are provided with clear guidance on the information required to ensure that tariffs are set as accurately as possible and the level of end of year reconciliation is minimised.	The TSOs welcome this support. The TSOs acknowledge that it may be difficult to provide forecasts in general but these are necessary and we encourage Shippers to provide the most accurate forecasts as possible. Details will be specified in the NI Charging Methodology. The TSOs will only ask Shippers to provide information that is necessary for the purposes of the NI Charging regime. Processes such as determining credit requirements will require a greater level of information given the introduction of new products at the Entry Points. Shippers will be provided with sufficient notice and detail in relation to the information required.
The revisions to the arrangements for accession and registration.	4 respondents have no objections to the proposed amendments to the arrangements for accession and registration. ESB noted that certain conditions are required for IP and Exit registration (e.g. an EIC code, PRISMA registration) and it is not clear if these are also requirements of the approaching auto-registration process due to commence in January 2015.	The TSOs welcome this support. EICs and PRISMA registration are not required for January 2015, but they will be required going forward Details have been specified in section T2 of the draft Code text published for consultation.

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	PNG commented that the business rules appear to indicate that Shippers will need to accede to the Code of each TSO who exit point it wishes to utilise and we would ask if this would require current and new market entrants to accede to the BGE (NI) transportation Code with these proposals.	As is required under the present arrangements, Shippers will be required to accede to the BGE(NI) Transportation Code should they wish to ship to a BGE(NI) Exit Point. For the avoidance of doubt, Distribution Shippers will not have to accede to the BGE(NI) Transportation Code if they use the Moffat Entry Point and only ship to the PNGL licence area.
	PNGL commented that the business rules proposed currently conflict with the market assurance process for new gas market entrants in the following way. The Shipper wishing to operate in the PNGL Licence area must have written confirmation from the downstream transporter of a connected system that the Shipper has entered into an agreement to ship gas on the connected system. PNGL could not provide this confirmation to the shipper if accession to the Transmission Transportation Codes has not been completed. PNGL note that, as the Shipper will not be able to transport gas until it completes both the accession and the registration processes; and the DNO cannot grant market entry until this has been completed and this therefore will need to be considered in the market assurance process.	The TSOs have aimed to separate Registration and Accession as this enables separation of the process steps and timescales for each requirement. The requirement for written confirmation from a consumer/DNO or equivalent has always been present in the Exit Point Registration requirements, and Exit Point Registration was always a pre-requisite to being able to ship gas. It is for the DNOs to consider whether their Market Assurance process may need to be reviewed in light of these changes.
EIC Codes.	ESB requested clarity on TSO use of EIC codes as identifiers at Exit and suggested that an international EIC would apply at the IP and be used for booking capacity, while a local EIC code would be used at Exit by a power generator for its interactions with the local gas and electricity TSOs.	The TSOs will not require multiple EICs and therefore the party (X) EIC shall be used as an identifier.

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Long term use it or lose it.	PPB and PNGL requested clarification around amendments to the existing LTUIOLI. PPB commented that it is not clear how this applies where the exit point is for example a single customer site (e.g. a power station) or where DNOs are booking exit capacity for all customers. PPB commented that the surrender rules for a single site (e.g. a power station site that is closing) need to be considered, as it would be perverse to seek to require the exit capacity to be retained when no consumption is possible at the exit point. PNGL commented that the DNO booking must be a consideration for both the TSOs and UR when considering the application of this product.	The NI TSOs intend to develop Business Rules for CMP at IPs mid-2015. Therefore, these items are not covered in the CAM business rules document. 'Annual Review of Exit Capacity' (i.e. LTUIOLI at Exit) is included in the draft Code text section 1B published for consultation, and has effectively reverted to the long-standing rules which were in place prior to the implementation of CMP. Exit Capacity surrender rules have been retained, but surrendered capacity would be reallocated prior to unsold capacity at Exit points (unlike at Entry points covered by CMP rules, where surrendered capacity cannot be reallocated until capacity is sold out). Single site closure would be covered by Retirement from the Code. The Surrender rules would not be applied in this scenario. DNO bookings will be taken into consideration if these rules are applied.
Credit and Invoicing.	PPB questioned why Bundled Capacity product payments could not be made under a single invoice with the transporters resolving the allocation of payments between themselves. PPB were also concerned that this would require two separate credit support arrangements.	This is a requirement of being a Shipper with two Transporters. Shippers will need to have signed up to the Codes and placed credit with both. It is important to note that the concept of bundling does not create new products, it simply means that two products are being sold in one transaction therefore, it is appropriate for TSOs to bill for their capacity separately.