



Energy for
generations

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Dear Stephen, Dear Avian,

Business Rules for Industry Consultation: Nominations at IPs and Trade Nominations, and Allocations

We are grateful for the opportunity to provide comments to the draft Business Rules on Nominations at IPs and Trade Nominations, and draft Business Rules on Allocations published on 3 November 2014. Our response to each document is provided in turn below.

Nominations at IPs and Trade Nominations

- i. Proposed steps for processing and matching IP Nominations and IP Renominations

We note the wording at 3.6 that both TSOs will process nominations at IPs according to their own Code Rules, and then subsequently the matching process is to be carried out by the Matching TSO. It is clear that it would be sensible and prudent for the TSOs to coordinate to ensure that the Code Rules are harmonised as far as possible across the IP to facilitate efficient and equitable operations.

We welcome the clear statement that the roles that each TSO will play on a day to day basis (Initiating and Matching) will be clearly defined and published and are intended to remain stable over time. This should prevent confusion and inefficiency in operations.

- ii. Application of the 'lesser of' matching rule

It is our understanding that a matching rule is required to bring the difference between the nominations of the two counterparties across the IP to zero. This matching rule is applied after nominations and renominations. Therefore, as part

of the process, the Shippers are given the opportunity to 'correct' their original nominations to the level required through renomination.

Given coordination between TSOs across the IP is important, we note that National Grid has already stated, in its proposed Code Modification, its intent to set the 'lesser of' matching rule as the default rule should TSOs not be able to agree on a rule. This indicates that it favours this rule, but is not making a unilateral declaration. The proposed UNC Mod also allows for a consultation period should the rule be changed. We do not object to the use of the 'lesser of' rule, but we believe it should be agreed between TSOs to ensure coordination takes place and is sustainable.

We note at 10.6 that the matching rule applied in Exceptional Events can be different to the regular matching rule. It may be useful to understand in advance what rule might be preferable for various Exceptional Event scenarios and the circumstances which would see a particular rule enforced to allow participants to manage their risks and exposures

iii. Proposals for Trade Nominations

We welcome the proposal for Trade Nominations as a facilitator for title transfer of gas in NI, and support the TSOs' and NRA's stated aim to create an administrative point rather than expect or create any sort of liquid traded hub.

We understand that a Trading Party would need to be registered as described in the CAM Business Rules and accede to the Code. The position on licensing is not a matter for the TSOs, but we would encourage coordination with UR to ensure that the licensing regime is reviewed to accommodate the introduction of Trading Parties and Trade Nominations, as was mentioned at the workshop of 18 November.

iv. Alignment of exit nominations timings with those for IPs

We support the alignment in nomination timings at Entry and Exit, and welcome deadlines moving nearer to gas delivery time.

v. Proposed changes to interruptible exit nominations

The introduction of capacity overruns in place of interruptible exit nominations will mean that the system comes into line with adjacent systems on this point. This is clearly a sensible move in line with the intention of cross border harmonisation.

We note the UR will determine the charges and on which basis the charges will be set. We hope that industry will be asked to contribute its views to this decision process.

vi. Proposals for transition of the arrangements

The transition approach appears to be clear and appropriate.

vii. Other

On the issue of revision of nominations by the TSO in case of exceptional events (Section 9), we would highlight that it would be desirable to take into account other conditions and emergency arrangements already in place for the power

generation sector (such as the 'flip-flop' arrangement). We encourage the gas TSOs to work with the electricity TSO, UR and the power generators to produce viable and equitable measures, which will serve to keep both gas and electricity users' supplies as safe and secure as possible. We note, for example, that anticipated timings for notifications or minimum notice periods of revisions are not provided at this draft stage. Rather than unilateral TSO revisions, it may be possible that opportunity be provided for Shippers in the first instance, not TSOs, to revise nominations during exceptional events. It is possible that Trade Nominations could also come into play in certain circumstances once the NIBP is in use, which would allow Shippers/Trade Parties to contribute to a solution.

Allocations

i. Introduction of 'allocate as nominate' rule at IPs

In principle, we welcome this concept for coordination at IPs and understand that it will be applied at IPs across Europe. As mentioned in the draft BRs, the exact terms of the OBA, including any tolerances, are still under negotiation between the TSOs, therefore it is difficult to provide further comment. Will the OBA be transparent to Industry and/or be open to Industry feedback?

In line with the Nominations BRs at 3.11, 9 and 10, to clarify, the 'allocate as nominate' rule will actually refer to confirmed quantities after matching and potentially after TSO revisions to nominations, rather than original nominations/renominations by Shippers being held whole.

ii. Introduction of entry overrun charges

As with the introduction of overruns at exit, this should mean that the system comes into line with adjacent systems, which should be welcomed.

We note the UR will determine the charges and on which basis the charges will be set. We hope that industry will be asked to contribute its views to this decision process.

iii. Whether or not a within day 'over-nomination' procedure for VRF IP Exit Capacity would be of value

Our understanding is that VRF is in place to comply with EU requirements rather than as a regularly used operational tool. Therefore, we support the lowest cost and simplest route to compliance.

As the TSOs propose to move away from over-nomination at entry and exit being deemed as application for interruptible capacity, it would seem more consistent not to move towards this method for within day VRF capacity.

iv. Proposals for aggregation of allocated quantities at entry and exit

The presentation of aggregate entry and exit in separate formulae caused some confusion at the workshop, as the netting off of Trade Allocations was not immediately clear. We would find it helpful to include an overall formula, showing both entry and exit aggregation, which clarifies the position.

For Shippers who have not been active on the BGEP system, it would be hoped that final aggregated allocations can be provided at D+5 and not M+5 as shown at 10.6.

- v. Proposal to remove the current approach of allocating exit flows which exceed booked capacity as interruptible allocated quantities

As answer (v) for Nominations BRs.

- vi. Proposals for transitional arrangements

The transition approach appears to be clear and appropriate.

- vii. Other

We have no other comments to the Allocations draft BRs at this stage.

We would be happy to clarify or discuss any of the above comments.

Yours truly

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