



**Phoenix Natural Gas Ltd. comments on the IME3 Compliance for 2015 –
Nominations at IPs and Trade Nominations Business Rules
and Allocation Business Rules**

25th November 2014

Detailed below are the Phoenix Natural Gas Ltd. (PNGL) comments and questions on the Nomination and Allocation business rules published by the Transmission System Operators (TSOs) as part of the Northern Ireland IME3 Compliance project.

Nominations at IPs and Trade Nominations Business Rules:

Changes concerning interruptible exit nominations (ref clauses 1.6 and 12.5) – As DNOs will continue to hold transmission exit capacity for gas suppliers utilising their network and Interruptible Nominations will no longer be available, how will this affect Shippers to DNO Networks who currently place all nominations on TSO systems as interruptible. We do not see any reference to this specific issue in the consultation paper but we do note that Nominations exceeding the Firm Exit Capacity booked at an Exit Point will attract a charge for capacity to be determined by the Utility Regulator. PNGL would ask how this will be determined at the DNO TSO interface.

Moffat Agent (ref clauses 2.1a and 10.3) – We note that several of the EU Codes envisage TSOs handling nomination matching processes between themselves and therefore the current Moffat agent service is to be withdrawn. We however further note that the consultation document states that TSOs may choose to use a third party to provide certain elements of the matching process. PNGL would therefore ask what is exactly proposed for the NI regime e.g. will the existing SNIP Agent role be retained and what if any are the cost implications for removal of the existing service provider and the move to potential several third parties undertaking the matching process role on behalf of the different TSOs.

Nominations at entry and exit (ref clauses 2.1b and 12.1) – The consultation paper states that the introduction of an entry exit regime means that Shippers will be required to nominate separately at entry and exit points, rather than entry nominations being deemed to be equal to exit nominations. Having considered the new charging model issued by the Utility Regulator it would appear that commodity charges will be levied based on exit volumes. If there is no requirement to ensure entry and exit nominations are consistent at both points then how is consistency and accuracy in charging ensured?

Matching Processes (ref clause 3.10) – PNGL would like further information with regards the matching processes for a shipper utilising the Gormanston entry point e.g. Which parties would this

involve? Would a matching process be firstly undertaken between BGE (UK) (as the Initiating transporter) and National Grid followed by a secondary matching process at Gormanston? Could matching rules at each IP potentially be different and if so why would this be considered necessary?

‘Adjacent Transporter’ (ref clause 4) – PNGL feel it is important that definition of Adjacent Transporter is maintained in the final Code drafting. In particular the wording ‘or designated as connected to’ needs to be included to ensure that the current assumption that Moffat is considered as the appropriate IP between GB and NI transmission networks continues to be facilitated.

Trading Party (ref clauses 4 and 11) – The inclusion of a Trading Party concept is seen as a potential solution for assisting new gas suppliers in market entry whereby they could use a single counterparty for all their gas transportation across the NTS and NI transmission networks. It would however be useful to understand what liabilities these Trading Parties would have under new and existing provisions of the Transmission Codes and would they undertake a separate Code accession process. The introduction of the Trading Party concept and other Shippers undertaking gas transportation on behalf of gas suppliers who operate within DNO networks will impact on current new entrant market assurance processes which the Utility Regulator and DNOs have developed and undertake for new market entrants. The review of this process needs to form part of the previously suggested workplan for the IME3 compliance project which requires specific DNO input. It also has implications for the Supplier of Last resort (SoLR) processes currently being developed within the gas industry as one of the basic assumptions for delivering a gas SoLR solution is that the transmission and distribution Shippers are the same entity.

We also note that Shippers may use third parties to submit Trade Nominations. PNGL believe it would be useful to understand the definition of third party. We would also be keen to discuss with the TSOs if the use of third parties has any specific implications at the Distribution Transmission interface particularly for the processes undertaken at month end whereby the DNO provides the TSO with allocation information for charging purposes.

Contents and Timing of IP Nominations (ref clause 5) – The business rules are proposing to amend the timings for the nomination process. PNGL would point out that the current nomination timescales in the DNO Network Codes are in line with current transmission timescales. Although we do not necessarily believe it is essential to replicate the revised transmission nomination timescales in the DNO Network Codes we believe variances in timescales could potentially lead to shipper confusion and errors. Although not part of this October 2015 compliance project we believe it is important to remember that further aspects of EU compliance may require new interface rules for provision of information by a DSO to a TSO on NDM and DM nominations to be developed and timescales for nominations will be a critical part of this. As any proposed changes may require Code modifications, PNGL would ask the TSOs and UR for early engagement on the necessary interface arrangements.

Also the proposal to amend the gas day to 5.00am at transmission level will see the transmission and distribution gas days out of step. Any requirement to synchronise the regimes will require DNO Code Modifications as well as changes in systems and processes utilised by DNOs. Again it is essential that the workplan in place for EU compliance factors in appropriate timescales for works which DNOs need to undertake to ensure gas networks remain aligned.

Allocations Business Rules:

Gas Allocations to equal gas nominations (ref clauses 1.3 and 2.1e) – One of the key proposals is that a Shipper's gas allocations are to be kept whole i.e. allocations will equal nominations. Although the TSOs have indicated that the breach of OBA tolerances in European markets is rare PNGL would ask if consideration has been given by the TSOs to the implications of this proposal for the balancing of the NI networks. Could it potentially create more imbalances on the networks and lead to an increase in balancing actions which could lead to increased costs.

Allocations for gas flowed against firm IP Entry Capacity (ref clause 6) – PNGL believe that it would be useful for the TSOs to define exact timescales for nominations against IP entry capacity. The consultation paper simply refers to 'Initial IP Entry Allocations by the end of D+1' and 'Final IP Entry Allocations by D+5'.

Exit Allocations at points which are not IPs (ref clause 8.1) – The consultation paper states that the TSO Codes currently provide for Initial and Final Exit Allocations to be provided at D+1 and D+5 respectively, except at BGEP1 where Final Exit Allocations are provided at M+5 and no changes are proposed to these rules or timings. PNGL would ask for clarity on this. Why would this only be applicable at the PNGL TSO interface of BGEP1 and not apply at the other DNO TSO interface. With regards the M+5, PTL would be aware that this is an extremely challenging timeline for the production of final allocations and in reality the exchange of information between PNGL and PTL for the purpose of final allocation at BGEP1 is after the M+5 timescale set out in the Code. PNGL would therefore suggest that consideration would be given to amending the Code to be more reflective of actual process with Final Allocations provided by M+8.

Firm allocations in excess of Firm Capacity at an Exit Point will be subject to a charge associated with the capacity (ref clause 8.3) – As described earlier in this response PNGL are unsure as to how this would be applied at the DNO interface where it is proposed that DNOs book and hold the exit capacity at aggregated level for all Shippers utilising its network.

Shipper Aggregate NI Exit Allocations (ref clause 10.5) – PNGL note that it is proposed to include Final VRF IP Exit Allocations in the aggregated NI Exit Allocation and we would ask for clarity on why this is considered appropriate. Should Final VRF IP Exit allocations not form part of the Aggregated NI Entry Allocation total?