

# IME3 Compliance for 2015

## Revised Congestion Management Procedures (CMP)

Business Rules for Industry Consultation

Version 1.0

26<sup>th</sup> May 2015

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## 1. Introduction

- 1.1. It is necessary for Northern Ireland to comply with EU Regulations, specifically Annex 1 (the 'CMP Annex') to EU 715/2009 as amended by the European Commission Decision of 24<sup>th</sup> August 2012. The CMP Annex requires (amongst other things) the introduction of Congestion Management Procedure (CMP) mechanisms which aim to address the issue of contractual congestion at Interconnection Points (IPs) between adjacent gas transmission systems. Contractual congestion is where Shippers cannot gain access to capacity notwithstanding the physical availability of such capacity. The CMP rules aim to maximise the capacity which is available to Shippers and bring unused capacity back to the market to be resold through regular capacity booking procedures (i.e. auctions).
- 1.2. The CMP rules specify four distinct mechanisms for returning unused capacity to the market.
  - a. Surrender of Contracted Capacity;
  - b. Long Term Use It or Lose It;
  - c. Oversubscription and Buyback; and
  - d. Firm Day Ahead Use It or Lose It.
- 1.3. The Firm Day Ahead Use It or Lose It mechanism is not required to be implemented until 1<sup>st</sup> July 2016, and then only if required by the National Regulatory Authority (NRA) following review of the other mechanisms.
- 1.4. The Northern Ireland regime currently has CMP arrangements in place which have been implemented in the Point to Point system, under which capacity at entry points and exit points is contractually linked. Changes are required to these procedures to reflect the move from the 'Point to Point' regime to an 'Entry Exit' regime.
- 1.5. The NI TSOs (PTL and GNI(UK)<sup>1</sup>) have recently proposed PTL Modification proposal 28 and BGE(NI) Code Modification proposal 14 to implement the requirements of the CAM Network Code (EU 984/2013). These Modifications set out how capacity will be sold at the Northern Irish IPs from October 2015. The CMP arrangements will apply at IPs and so will need to operate in conjunction with the new CAM rules contained in those Modification Proposals.
- 1.6. The revision of the CMP arrangements for Entry-Exit will also require changes to the regulatory regime with respect to the incentivisation of the NI TSOs to provide Oversubscription Capacity via the Oversubscription and Buyback mechanism. The detailed design of the Incentive Scheme and the associated arrangements are, however, outside the scope of this document and are subject to the approval of the Utility Regulator.
- 1.7. From October 2015, in Northern Ireland, there will be no forward flow interruptible capacity product (as it is not required under CAM until an IP is sold out, and the IPs are

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<sup>1</sup> BGTL is also an NI TSO, but since it has no IPs on its network, it is not required to implement CMP Mechanisms and will no longer participate in any Incentive Scheme. (It has previously participated due to the linkage between entry and exit capacity under the Point to Point regime.) Therefore references in this document to NI TSOs are references to PTL and GNI(UK).

not currently sold out) and the only interruptible capacity on offer at an IP will be Interruptible VRF IP Exit Capacity. The CMP Annex is concerned with firm capacity, and so the Business Rules in this document do not apply to VRF IP Exit Capacity.

- 1.8. These Business Rules will be developed into a Code Modification Proposal, and so will be effective, if approved, from the dates specified in that Code Modification Proposal, anticipated to be 1<sup>st</sup> October 2015.

## 2. Relevant Context

- 2.1. The following points are key elements of relevant context for these Business Rules:

- a. The current NI 'point to point' regime will be replaced with an Entry-Exit regime from 1<sup>st</sup> October 2015;
- b. The NI TSOs intend to deliver CAM compliant processes to be effective from 1<sup>st</sup> October 2015, to align with the Gas Year in NI. Business Rules and legal text for CAM which address the requirement for capacity at IPs to be sold via an auction process have been published separately.
- c. Nominations and Allocations Business Rules introducing compliant Nominations processes at IPs for compliance with the Interoperability Code have also been consulted on separately and will also be effective from October 2015.
- d. If required, the Utility Regulator will consult on corresponding modifications to the licences of the NI TSOs in relation to Entry-Exit CMP.
- e. LTUIOLI will continue to apply at Exit Points (see section 1B of the CAM Code Modifications text), although this is separate from the EU-required CMP arrangements, and has been included in the NI Codes to support ongoing postalisation of transmission charges rather than to address any EU requirement.
- f. In order to fulfil the transparency requirements of the CMP Annex the NI TSOs are required to routinely provide data to the European Transparency Platform in order to monitor the level of contractual congestion and the operation of CMP mechanisms. These requirements are not addressed within these Business Rules as they are being dealt with via publication on the ENTSOG Transparency Platform.
- g. Separate incentive mechanisms will be applied at each IP by the relevant NI TSO, if the IP is considered contractually congested.
- h. The Oversubscription and Buyback Incentive Scheme shall be designed to provide an incentive to the NI TSOs to offer Oversubscription Capacity to the market, while also reflecting the risks posed to the NI TSOs in so doing.
- i. The CMP mechanisms described below should result in capacity, which would otherwise be unavailable, becoming accessible to the market. Capacity which is

made available to the market as a result of the application of any of the CMP mechanisms will be made available as normal (firm) IP Entry Capacity.

- j. The NI TSOs have defined and utilised certain terms within this document for ease of reading, and may use different terms and/or definitions when preparing the Code Modification legal text. Other capitalised terms have the meanings given to them in the EU Code Modification Proposals (for CAM, Nominations and Allocations<sup>2</sup>) which have preceded this document, or otherwise in the existing Network Codes.

### **3. Overview of required CMP Mechanisms**

- 3.1. The principles and requirements of CMP with respect to the individual CMP mechanisms are set out in this section, in the context of the new NI entry-exit and CAM-compliant capacity arrangements at Interconnection Points. Since VRF IP Exit Capacity is interruptible, these procedures do not apply in respect of VRF IP Exit Capacity.

#### **3.2. Surrender of Contracted Capacity**

A Shipper may offer to surrender an amount of IP Entry Capacity, which it does not expect to use, to the NI TSO at the relevant IP. The NI TSOs may make this IP Entry Capacity available to other Shippers (directly from the NI TSO through the usual capacity booking procedures, i.e. the PRISMA Auction Platform). Note that IP Entry Capacity offered for surrender will only be sold (allocated to a new Shipper as a result of an Auction) after all Unsold Technical IP Entry Capacity<sup>3</sup> has been sold. A Shipper offering IP Entry Capacity for surrender to its NI TSO retains its rights and obligations, including the obligation to pay all capacity-related charges (and maintain credit cover), with respect to the IP Entry Capacity until the effective date of the purchasing Shipper's capacity booking.

#### **3.3. Long Term Use It or Lose It (LT UIOLI)**

Shippers who systematically underutilise their IP Entry Capacity may have capacity fully or partially withdrawn if there is sufficient demand for IP Entry Capacity from other Shippers at the relevant IP. The Shipper from which the IP Entry Capacity is withdrawn shall lose its rights and obligations, including the obligation to pay all capacity-related charges (and maintain credit cover), with respect to the IP Entry Capacity in whole or in part for a specified period or for the remainder of the contract term, such loss to commence on the effective date of the new capacity booking.

#### **3.4. Oversubscription and Buyback**

An NI TSO may elect to offer an amount of Oversubscription Capacity (Additional IP Entry Capacity over and above the Technical Capacity at an IP) for sale to the market in an Auction. Should that NI TSO subsequently become aware that it will be unable to deliver

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<sup>2</sup> PTL Modification 28/BGE(NI) Modification 14 for CAM and Entry Exit, PTL Modification 31/GNI(UK) Modification 16 for Nominations, PTL Modification 32/GNI(UK) Modification 17 for Allocations

<sup>3</sup> Unsold Technical IP Entry Capacity is Technical Capacity (other than Technical Capacity which is made available by the NI TSO pursuant to CMP mechanisms) which, at a given point in time, is not contracted to a Shipper, see PTL Modification 28/BGE(NI) Modification 14 for CAM and Entry Exit, section 1A.7.2

the required physical flows, it may initiate a market-based buyback procedure. In such an instance, Shippers will be invited to sell IP Entry Capacity back to the NI TSO, specifying the price they wish to be paid. Where the NI TSO buys back IP Entry Capacity from a Shipper, the Shipper shall remain liable for payment of all capacity-related charges (and maintaining credit cover for such charges), but shall receive a credit (at the price specified by the Shipper) with respect to the amount of IP Entry Capacity bought back by the NI TSO.

### 3.5. Firm Day Ahead Use It or Lose It

The rules associated with this mechanism are required to be implemented by 1<sup>st</sup> July 2016 and the requirement for their implementation is based on the CMP Monitoring Report of the Agency for the Cooperation of Energy Regulators (ACER). If on the basis of this report it is shown that the IP Entry Capacity requested in relation to the Moffat Entry Point or the South North Entry Point exceeded the Capacity offered, then the relevant NI TSO would be required to restrict Renominations as outlined in Section 2.2.3(3) of the CMP Annex 1, unless the Regulator takes a decision (under section 2.2.3.6 of the CMP Annex) not to implement this requirement. Section 2.2.3.6 of the CMP Annex allows such a decision based on the potential interaction of FDAUIOLI with the Oversubscription and Buyback Scheme. The NI TSOs do not anticipate any contractual congestion, and expect that the measures provided for in the other three CMP mechanisms will adequately address any contractual congestion, should it occur. Therefore detailed rules for Firm Day Ahead Use-it-or-Lose-it (FDA UIOLI) are not being developed at this time.

The additional transparency requirements associated with this mechanism have already been implemented, and details can be found on the ENTSOG Transparency Platform:

<https://transparency.entsog.eu/>

## BUSINESS RULES

### 4. Publication of Allocable IP Entry Capacity Amount

- 4.1. Additional IP Entry Capacity has been defined<sup>4</sup> as IP Entry Capacity which may be made available by (the relevant NI TSO) as a result of the application of congestion management procedures. For the avoidance of doubt, Additional IP Entry Capacity may be Capacity offered for Surrender (see section 7), UIOLI Capacity (see section 8) and/or Oversubscription Capacity (see section 9). Allocable IP Entry Capacity is the sum of any Unsold Technical IP Entry Capacity and any Additional IP Entry Capacity.
- 4.2. When publishing an amount of IP Entry Capacity which is available to be allocated to Shippers in an Auction at an IP, the relevant NI TSO shall make no distinction between IP Entry Capacity which has originated from the various CMP mechanisms or otherwise. Effectively, this means that a single aggregate figure of Allocable IP Entry Capacity<sup>5</sup> will be published, potentially comprising:

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<sup>4</sup> See PTL modification 28/BGE(NI) modification 16 for CAM and Changes for Entry-Exit, Appendix 1

<sup>5</sup> See PTL Modification 28/BGE(NI) Modification 16 for CAM and Changes for Entry-Exit, section 1A.7.3.

- a) Unsold Technical IP Entry Capacity;
- b) IP Entry Capacity offered for Surrender;
- c) UIOLI Capacity; and
- d) Oversubscription Capacity.

- 4.3. All and any Allocable IP Entry Capacity will be (firm) IP Entry Capacity, and will be priced according to the prevailing published IP Entry Capacity tariffs, irrespective of the 'origin' of the capacity.

## **5. Merit Order of Capacity Allocation**

- 5.1. Where an NI TSO sells a quantity of Additional IP Entry Capacity, it shall follow a defined merit order when allocating IP Entry Capacity to purchasing Shippers. While this merit order is irrelevant to the Shipper who is purchasing the IP Entry Capacity, it is relevant to any Shipper who loses rights with respect to the IP Entry Capacity either by way of surrender or UIOLI, in so far as that Shipper is no longer liable for capacity-related charges (for the periods to which the surrender or UIOLI applies) and no longer has rights to utilise the relevant IP Entry Capacity for that period.

- 5.2. IP Entry Capacity will be allocated by the NI TSOs in accordance with the following merit order:

- 1) Unsold Technical IP Entry Capacity;
- 2) IP Entry Capacity offered for Surrender;
- 3) UIOLI Capacity; and
- 4) Oversubscription Capacity.

## **6. Activation of the CMP Mechanisms**

- 6.1. EU-compliant CMP mechanisms are intended to address contractual congestion of IP Entry Capacity in relation to the Moffat IP and/or the South North IP.

- 6.2. In order to determine whether contractual congestion is occurring at an IP in accordance with the Activation Test in section 6.3, the NI TSOs shall annually review the IP Entry Capacity bookings at each of the IPs and publish their findings no later than [5 Business Days after the Annual Quarterly Capacity Auction during Gas Year 'Y – 1' i.e. in [mid-August<sup>6</sup>] and apply the Activation Test described in section 6.3. PTL shall conduct the review in respect of Moffat IP and GNI (UK) shall conduct the review in respect of South North IP. The first such annual review shall be conducted in Gas Year 2015/2016.

- 6.3. The 'Activation Test' shall be that, if:

- a. all the Technical Capacity for Gas Year Y or a quarter in Gas Year Y which was offered in the Annual Yearly Auction and/or the Annual Quarterly Auction was sold out (or none was available to be offered); and

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<sup>6</sup> Subject to the timing of the Quarterly Auction, which may be subject to change. Currently ENTSOG Calendar scheduled the Quarterly Auction in June, but it is proposed to move it to August.

- b. Shippers bid for firm IP Entry Capacity in either the Annual Yearly Auction and/or the Annual Quarterly Auction but were unable to obtain it;

then the NI TSO's shall determine that contractual congestion exists at the relevant IP.

- 6.4. Subject to section 6.5, where contractual congestion is determined to exist at an IP in accordance with the test in section 6.3, the CMP Mechanisms shall be activated by the relevant NI TSO for that IP, with effect from the start of Gas Year Y.
- 6.5. The NI TSOs may make a decision to activate any or all of the CMP Mechanisms, in respect of either or both IPS, at any time, subject to written approval from the Utility Regulator. In particular this might be appropriate in the circumstances where short term auctions begin to sell out consistently. Where the NI TSOs activate one or more CMP Mechanism within a Gas Year, they shall inform Shippers of the date from which the mechanism(s) will be activated, giving [6 months] notice (or a shorter period where IT system delivery permits).
- 6.6. The determination of contractual congestion at one of the IPs does not imply or require that the CMP Mechanisms are to be activated in respect of the other IP.

## **7. Surrender of Contracted Capacity**

- 7.1. Once the activation test in section 6.3 has been passed (and/or CMP Mechanisms have been activated in accordance with section 6), a Shipper may offer to surrender IP Entry Capacity in advance of a relevant IP Entry Capacity auction in accordance with this section 7.
- 7.2. Relevant IP Entry Capacity auctions at which a Shipper may offer to surrender IP Entry Capacity are:
  - a. Annual Yearly IP Entry Capacity Auction;
  - b. Annual Quarterly IP Entry Capacity Auction;
  - c. Monthly IP Entry Capacity Auctions.
- 7.3. A Shipper may apply to offer its IP Entry Capacity for surrender by no later than 2 weeks in advance of the relevant auction.
- 7.4. An offer to surrender IP Entry Capacity shall specify:
  - a. the Shipper's EIC Code;
  - b. the amount of IP Entry Capacity which the Shipper offers to surrender;
  - c. the period for which the Shipper offers to surrender the IP Entry Capacity; and



- d. [if requested by the NI TSO][whether or not the IP Entry Capacity is Bundled]
- 7.5. [Where the NI TSOs have agreed with the relevant Adjacent Transporter to do so, they may refuse to accept Bundled IP Entry Capacity for surrender if there is no corresponding offer to surrender the corresponding Adjacent Transporters' capacity.]
- 7.6. The sum of the amounts of IP Entry Capacity which are the subject of offers to surrender under section 7.4 ("**IP Entry Capacity offered for Surrender**") shall, subject to section 7.5 be offered as Allocable IP Entry Capacity in the next available IP Entry Capacity Auction.
- 7.7. A Shipper which offers to surrender its IP Entry Capacity shall retain its rights and obligations under the Capacity contract, including the obligation to pay all capacity-related charges, until all or part of its IP Entry Capacity is resold to another Shipper.
- 7.8. A Shipper which offers to surrender its IP Entry Capacity shall have its rights and obligations with respect to such IP Entry Capacity (including maintaining credit cover) suspended only for the period for (and the amount of) which its IP Entry Capacity is resold, such rights and obligations being reinstated (where applicable) following the expiry of such period.
- 7.9. After an IP Entry Capacity Auction, where the NI TSOs are required to allocate surrendered capacity, the merit order described in 5.2 shall apply.
- 7.10. Where the amount of IP Entry Capacity offered for surrender is less than the amount of IP Entry Capacity which needs to be allocated (after allocating any Unsold IP Entry Capacity) all offers to surrender IP Entry Capacity shall be accepted.
- 7.11. Where:
- a. there are multiple offers to surrender IP Entry Capacity; and
  - b. the amount of IP Entry Capacity offered for surrender exceeds the amount of IP Entry Capacity which needs to be allocated pursuant to an Auction;
- the surrendered IP Entry Capacity will be allocated on a pro rata basis relative to the amount of IP Entry Capacity each Shipper offered to Surrender.
- 7.12. Where there are no bids in an Auction, no offers to surrender IP Entry Capacity shall be accepted.
- 7.13. Where a Shipper makes an offer to surrender IP Entry Capacity, but it is not accepted as a result of the relevant Auction for which it was offered, (or it is partially accepted) then the application to surrender IP Entry Capacity (or the remaining amount in any application to surrender that was offered but not accepted) shall be rolled forward to the next Auction for IP Entry Capacity for the relevant Period.

## **8. Long Term Use it or Lose it Mechanism**

- 8.1. Once the activation test in section 6.3 has been passed (and/or CMP Mechanisms have been activated in accordance with section 6), the NI TSOs shall commence monitoring of Shipper's IP Entry Capacity utilisation, for the purposes of the Long Term Use-it-or-Lose-it (LTUIOLI) Mechanism.
- 8.2. Only Shippers holding IP Entry Capacity with an effective duration greater than one year at the start of Gas Year Y shall be subject to utilisation monitoring under this section.
- 8.3. For the purposes of monitoring a Shipper's utilisation of IP Entry Capacity, the NI TSO at the relevant IP will produce two Usage Reports each year:
  - a. one by 30<sup>th</sup> April covering the period 1<sup>st</sup> October – 31<sup>st</sup> March of the Gas Year; and
  - b. the other by 31<sup>st</sup> October covering the period 1<sup>st</sup> April – 30<sup>th</sup> September of the previous Gas Year.
- 8.4. The Usage Reports will assess for each relevant Shipper (under section 8.2), whether it:
  - a. used less than 80% of its Available IP Entry Capacity (either bought as Yearly IP Entry Capacity and/or other IP Entry Capacity with effectively longer than annual duration) for two consecutive six monthly reporting periods; or
  - b. systematically renominated downwards from close to 100% of its Available IP Entry Capacity (in order to circumvent the rules on renomination in the 'Firm Day Ahead Use It or Lose It' mechanism).
- 8.5. Once the CMP Mechanisms have been activated in accordance with section 6, the Usage Reports will be generated and provided to the Utility Regulator irrespective of whether there is an unfulfilled demand for IP Entry Capacity by a Shipper.
- 8.6. In the event that:
  - a. there is an unfulfilled demand for IP Entry Capacity from Shippers; and
  - b. a Shipper has been identified as systematically underutilising its IP Entry Capacity in the Usage Reports;then the relevant NI TSO shall request the underutilising Shipper to provide justification for its utilisation, and shall give three months' notice of the intention to withdraw IP Entry Capacity.
- 8.7. A Shipper receiving a request under section 8.7 shall respond within one month of receipt of the request. Justification may include evidence of posting IP Entry Capacity for resale on the secondary market.

- 8.8. Where the NI TSO is satisfied that any justification provided under section 8.8 is reasonable it shall inform the Shipper within 10 Business Days and no IP Entry Capacity shall be withdrawn from that Shipper.
- 8.9. Where the NI TSO is not satisfied that any justification provided under section 8.8 is reasonable, or no justification is received, it shall:
- a. determine the amount of IP Entry Capacity which should be withdrawn;
  - b. determine the relevant Period for which the IP Entry Capacity should be withdrawn;
  - c. inform the Shipper within 10 Business Days of its intention to withdraw such IP Entry Capacity; and
  - d. inform the Utility Regulator.
- 8.10. If the Shipper does not agree with the decision of the NI TSO to withdraw IP Entry Capacity, it may refer it to the Utility Regulator for review within 2 weeks of receipt of the NI TSOs response.
- 8.11. Any such regulatory review should be completed within 3 weeks or such other time period as may be determined by the Utility Regulator.
- 8.12. In the event that the process cannot be completed within the 3 month period following the issuing of the notice in accordance with section 8.7 and extra time is required, it will be extended by a period of one month and subsequently in increments of one month thereafter; and
- 8.13. On the expiry of either the three month notice period or the extended period used for the regulatory review, the withdrawal of IP Entry Capacity shall be effective, unless the NI TSO is specifically requested not to withdraw the Capacity by the Utility Regulator.
- 8.14. Once a withdrawal of IP Entry Capacity is effective under 8.14, the amount of IP Entry Capacity withdrawn ("**UIOLI Capacity**") shall be offered as Allocable IP Entry Capacity in the first possible Annual Yearly Auctions or Annual Quarterly Auctions.
- 8.15. The Shipper will retain its rights and obligations to the withdrawn IP Entry Capacity until such time as it is resold by the NI TSO, and to the extent (both in amount and duration) that the IP Entry Capacity is not resold by the NI TSO.

## 9. Oversubscription and Buy-back Mechanism

### Oversubscription Capacity

- 9.1. Once the activation test in section 6.3 has been passed (and/or CMP Mechanisms have been activated in accordance with section 6), the NI TSOs shall offer an incentive-based Oversubscription and Buyback scheme at that IP in order to offer "**Oversubscription**"

**Capacity**” (IP Entry Capacity exceeding the Technical IP Entry Capacity which can be offered in accordance with the Oversubscription and Buyback Incentive Scheme – see section 10) at the IP, on a Gas Flow Day, in accordance with this section 9.

- 9.2. For any given Gas Flow Day the relevant NI TSO shall determine, in respect of an IP, how much Oversubscription Capacity may be made available based on the technical and operational conditions on the NI Network.
- 9.3. Where Oversubscription Capacity is made available, it shall be made available as Allocable IP Entry Capacity which may be booked by Shippers using the Within Day Auctions on PRISMA, in line with the IP Entry Capacity procedures in the NI Codes, section 1A<sup>7</sup>.
- 9.4. Revenues arising from the sale of Oversubscription Capacity (and costs arising from the buy-back scheme) shall be paid to the relevant NI TSO (and Shippers) in accordance with the Oversubscription and Buyback Incentive Scheme, approved by the Utility Regulator, as described in section 10.

#### Buy back

- 9.5. Once the activation test in section 6.3 has been passed (and/or CMP Mechanisms have been activated in accordance with section 6), the relevant NI TSO shall inform Shippers in writing of the means by which it proposes to administer IP Entry Capacity buy backs (for example, whether or not the PRISMA platform would be used or whether the NI TSOs systems would be used), and the NI TSOs may amend or update this information from time to time, by informing the Shippers in writing.<sup>8</sup>
- 9.6. In preparation for a requirement to buy back IP Entry Capacity the NI TSOs may (but shall not be required to) issue an **“Advance Buyback Invitation”**, inviting Shippers to commit in advance (via a tender process) to selling IP Entry Capacity to the NI TSO at a fixed price, should it be necessary for the NI TSO to buy back IP Entry Capacity on any day within a defined period of time.
- 9.7. Shippers responding to this tender process may enter into an agreement with the NI TSO, constituting an **“Advance Buyback Offer”** which shall include the amount in p/kWh (the **“Buyback Offer Price”**) at which the Shipper wishes to offer the IP Entry Capacity to the NI TSO.
- 9.8. On any Gas Day, where an NI TSO determines that it may be appropriate to buy back IP Entry Capacity at an IP, before committing to such action, the NI TSO shall assess whether it may maintain the integrity of the system in a more cost efficient manner by other operational or commercial means.

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<sup>7</sup> See PTL Modification 28/BGE(NI) Modification 16 for CAM and Entry Exit

<sup>8</sup> The NI TSOs intend to investigate the use of PRISMA functionality to facilitate within day buyback of IP Entry Capacity, but at this point are not able to state definitively whether or not it will be used.

- 9.9. On any Gas Day, where an NI TSO deems it necessary to buy back Capacity, it shall notify the market by means of a **“Buyback Invitation”** via email and/or where applicable PRISMA of the:
- a. IP at which it wishes to buy back IP Entry Capacity;
  - b. time period for which the buyback is required; and
  - c. amount of IP Entry Capacity required.
- 9.10. Shippers may submit a **“Buyback Offer”** by completion of the relevant proforma via email and/or where applicable PRISMA which specifies:
- a. EIC of Shipper;
  - b. the IP;
  - c. the time period for which IP Entry Capacity is offered;
  - d. the amount of IP Entry Capacity offered; and
  - e. the amount in p/kWh (the **“Buyback Offer Price”**) at which the Shipper wishes to offer the IP Entry Capacity.
- 9.11. A Buyback Offer may be submitted in accordance with the timelines specified in the Buyback Invitation.
- 9.12. A Buyback Offer submitted in accordance with 9.10 shall be considered a Valid Buyback Offer.
- 9.13. The relevant NI TSO shall inform the Shipper (or ensure that the Shipper is informed) of its rejection of the Shipper’s Buyback Offer due to non-compliance with the requirements of 9.10.
- 9.14. Where multiple Valid Buyback Offers are received, the NI TSO shall accept the Valid Buyback Offers (and where applicable Advance Buyback Offers) which best address the NI TSO’s needs, in order of least cost to the NI TSO, and to an amount the NI TSO deems appropriate to maintain system integrity on the basis of the operational requirements.
- 9.15. The NI TSO may accept a Valid Buyback Offer or Advance Buyback Offer in full or in part with respect to:
- a. the amount of IP Entry Capacity accepted for buyback, which may be less than the amount specified by the Shipper in its Buyback Offer or Advance Buyback Offer; and/or
  - b. the time period accepted for buyback, which may be less than the time period specified by the Shipper in its Buyback Offer or Advance Buyback Offer.

- 9.16. Where the NI TSO accepts a Buyback Offer or Advance Buyback Offer (in full or in part), the NI TSO shall inform the Shipper of such acceptance through the issue of a **“Buyback Notification”** which shall include:
- a. Buyback Offer or Advance Buyback Offer reference number (where applicable);
  - b. Shipper EIC;
  - c. the IP;
  - d. the time period for which the IP Entry Capacity is bought back;
  - e. the amount of IP Entry Capacity bought back; and
  - f. the unit price (in p/kWh) which the NI TSO shall pay the Shipper, which shall be equal to the Buyback Offer Price as specified by the Shipper in its Buyback Offer.
- 9.17. The aggregate amount of IP Entry Capacity accepted for buyback by the NI TSO in respect of a given Gas Flow Day need not be equal to the amount requested in the Buyback Invitation.
- 9.18. Where an NI TSO issues a Buyback Notification, it shall reduce the amount of Available IP Entry Capacity registered as held by the Shipper by the amount specified in the Buyback Notification.
- 9.19. Notwithstanding the provisions of section 9.16 the Shipper shall be invoiced for IP Entry Capacity as follows:
- a. the Shipper shall remain liable for payment of all Capacity related charges in respect of the amount of Capacity held by the Shipper prior to the issuance of the Buyback Notification; and
  - b. the Shipper shall receive a credit in respect of:
    - i) the amount of IP Entry Capacity; multiplied by
    - ii) the unit price.
- 9.20. In the event that the relevant NI TSO is unable to secure a sufficient amount of Capacity through the market based buyback mechanisms to maintain system integrity, the NI TSOs may be required to employ some of the provisions of Section 6 (Capacity Reduction & Emergencies) of the Code.

## **10. Oversubscription and Buyback Scheme**

- 10.1. The NI TSOs shall submit a revised version of the “Oversubscription and Buyback Scheme” to the Utility Regulator for approval (as required by their Licence Conditions) containing the details of:
- a. the methodology by which the amount of Oversubscription Capacity which may be offered shall be determined;
  - b. the approach to relevant historic analysis of capacity usage and assessment of operational conditions;
  - c. how a requirement for buy back shall be determined;
  - d. the details of the associated revenue treatment;
  - e. proposed revenue sharing proportions (for sharing revenues between Shippers and the relevant NI TSO).
- 10.2. The NI TSOs will revise the existing Scheme document to reflect the entry-exit system and the independent operation of the Scheme in respect of each IP. The principles of the Scheme are outlined below.

### **Revenues**

- 10.3. Additional IP Entry Capacity which was offered as a result of the Oversubscription mechanism shall not be distinguished in the invoicing process from IP Entry Capacity, and the relevant Clearing Price in the Uniform Price Auction in which it is sold shall apply.
- 10.4. The NI TSO at an IP at which Additional IP Entry Capacity from oversubscription was offered will determine the quantity of Oversubscription Capacity that was allocated in any Auction (using the merit order in 5.2), and hence determine the amount of revenue which is derived from the sale of oversubscription capacity.
- 10.5. Revenues from the sale of oversubscription capacity at an IP will be passed by the NI TSO into an ‘OS & BB Account’ for that IP.

### **Buy Back Cap**

- 10.6. When an NI TSO buys back capacity, it will do so only up to a capped level, which shall be the total revenue which has been collected in the relevant OS & BB Account associated with the relevant IP during the preceding 3 months.
- 10.7. Once the NI TSO has bought back up to the capped level, it will make no further buy backs for that Gas Day, and section 9.20 shall apply.

## Revenue Sharing with Shippers

- 10.8. The NI TSOs will operate separate incentive schemes in respect of each IP and therefore each will hold an OS & BB Account associated with the relevant IP.
- 10.9. Shippers at an IP will be allocated a share of the revenues in the OS & BB Account associated with that IP, pro-rata to their total IP Entry Allocations at the relevant IP for the Gas Year, after the end of the Gas Year. This basis for allocating incentive revenue is intended to provide an appropriate incentive to Shippers to flow gas, rather than 'hoard' capacity. The percentage share of the revenues to be returned to Shippers shall be approved by the Utility Regulator.

## Rules for the Incentive Scheme

- 10.10. The rules for the treatment of revenues arising from the Incentive Scheme will also be captured in the NI TSOs' Licence Conditions. The NI TSOs anticipate that the Utility Regulator will consult separately on any changes needed to Licence Conditions in the upcoming months.

## Monitoring and Revision of the Scheme

- 10.11. The following are requirements of the CMP Annex and while they will not necessarily be included in the Code or the Scheme, should be noted for information purposes:
- a. when submitting an Oversubscription and Buyback Incentive Scheme (for each IP) to the Utility Regulator<sup>9</sup>, the NI TSOs shall provide all relevant data, estimates, and models to the Utility Regulator in order for the latter to assess the schemes;
  - b. the Utility Regulator shall assess and approve the NI TSOs proposals, following consultation with adjacent NRA(s);
  - c. the NI TSOs shall, on an annual basis, report to the Utility Regulator on the functioning of the schemes and, upon request of the Utility Regulator, provide all relevant data;
  - d. the Utility Regulator may request the NI TSOs to revise the schemes from time to time;
  - e. where a Firm Day Ahead Use It or Lose It mechanism is applied at an IP, an evaluation of the relationship with the oversubscription and buy-back scheme shall be carried out by the Utility Regulator which may result in a decision not to apply the oversubscription and buyback scheme at those Interconnection Points. Such a decision shall be notified, without delay, to ACER and the European Commission.

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<sup>9</sup> The Utility Regulator is the National Regulatory Authority (NRA) for Northern Ireland



## 11. Consultation Questions

Shippers and other interested parties are invited to give their views on any aspects of these Business Rules. In particular, the NI TSOs would particularly welcome views and comments on the following:

- i) the proposal for an Activation Test for CMP Mechanisms;
- ii) the proposals for surrender of IP Entry Capacity;
- iii) the proposals for LTUIOLI;
- iv) the proposals for Oversubscription and Buyback;
- v) the associated NI TSO Incentive Scheme proposals;
- vi) any other aspect of these Business Rules.

Responses, and/or parts of responses, may be marked as confidential and will be treated accordingly.

## 12. How to Respond

Shippers wishing to respond to this document are requested to provide their views on or by **15<sup>th</sup> June 2015**. Responses may be made in writing or by email, or directly to the NI TSOs.

Written responses should be provided to:

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