Proposed Modification & Initial Modification Report No.11

Entry Capacity Transition and Entry Registration

13th October 2014

Please find attached details of Proposed Modification 11 and Initial Modification Report 11 raised by Belfast Gas Transmission Ltd as required under Section 2 and 3 of the Belfast Gas Transmission Code Modification Rules.

A Description of the nature and purpose of the modification

This proposal is being made to deal with the transition of the Northern Irish Gas Transmission Regime from a point-to-point regime.

B How the modification better facilitates the relevant objective

The Relevant Objective, (condition 2.4 of the BGTL Licence) will be better facilitated by the Licensee’s Network Code as a result of this modification. This change will contribute to the secure, safe, reliable, efficient and economic development and maintenance of the Network by ensuring that Entry Capacity is introduced into the Northern Irish regime in time to enable a co-ordinated approach to pipeline access (including bundling of capacity at Interconnection Points) with the upstream transporters as is required by the CAM Regulation (EU 984/2013).

C The clauses of the Transportation Code that require amendment

This proposal will introduce a new section of the BGTL Code, the ‘Transition Document’, which will contain the procedures which will apply from the Implementation Date (proposed as 1st January 2015) until the Transition Date (13th October 2015) and set out how existing entitlements of capacity will be treated after the Transition Date.

D Impact on other Designated Pipeline Operator's Network Codes:

Belfast Gas Transmission has worked with PTL and BGE(NI) to develop a co-ordinated approach to the Codes, and the TSOs are aiming to keep the changes to the BGE(NI) Code and the Premier Transmission Code as aligned/identical as possible. In accordance with the BGTL Code, Shippers rights of access to the BGTL pipeline are determined with reference to their bookings under the PTL Code, and there are no Entry Points to the Northern Irish network on the BGTL transportation system, so many of the Transition requirements needed for Premier Transmission and BGE(NI) are not required or relevant within the BGTL Code. However, it will be necessary to transition existing Firm Capacity into Exit Capacity and a corresponding Initial Entitlement to IP Entry Capacity and to reassess the associated credit requirement of Shippers with BGTL. BGTL is therefore proposing here a version of the Transition Document which contains only those elements relevant to its code.

E The date proposed for implementation

1st January 2015
F   How to Respond

Please send responses no later than 7\textsuperscript{th} November to:

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G. Further Information on the Modification Proposal

Introduction

The text of this proposal has been developed following Industry Consultation on the draft Business Rules published on 4th August 2014. The Business Rules cover all Transitional arrangements across the whole of NI.

In response to Industry feedback, the TSOs have proposed some changes to accommodate particular concerns and issues raised. They have also now established their preferred approach to the calculation of DNO-related Initial Entitlements. This approach and the proposed changes relative to the draft Business Rules are described below. For clarity, the TSOs are also publishing a revised version of the Business Rules which is also intended to show the proposed changes.

It should be noted that only the relevant elements for the BGTL Code are covered in this BGTL Code Mod. However, for completeness, all the changes to the Business Rules are described below.

Changes from Business Rules

1. Clarification of the process for calculating Initial Entitlements where the DSO currently holds Capacity

1.1. The TSOs have reviewed industry feedback and considered the options carefully, and have discussed the issue with the Distribution Network Operators. The TSOs have concluded that it is simply not feasible to design and implement a process which would provide for Shippers to the Distribution Networks to be allocated precisely the amount of entry capacity they require to align perfectly with each Shipper’s prospective portfolio as of 1st October 2015. There is a need for a degree of approximation, and it is therefore important that the TSOs provide a process which:

(a) is essentially mechanical and hence non-discriminatory;
(b) maintains the financial commitment/obligations reflected in the existing bookings of Firm Capacity on the transmission networks;
(c) enables Shippers to re-adjust their holdings, where it is possible to do so whilst maintaining the aggregate level of financial commitment/obligation.

1.2. The TSOs are proposing to calculate Initial Entitlements based on the highest daily allocation of each Shipper during the period October 2013 to September 2014 (i.e. reflecting a full gas year to allow for both winter and summer peaks, and reflecting the information available to the DNOs at the time of making bookings for 2014-2015 and beyond). Each of the Shipper’s highest allocations will be pro-rated up to ensure that the full amount that was booked by the DNOs is allocated as Initial Entitlements.

1.3. Shippers to the Distribution Networks will therefore receive an Initial Entitlement which reflects their peak flows during the previous Gas Year.

1.4. Subsequently all Shippers will be able to apply to reduce some or all their Initial Entitlements. As described in the Business Rules, Shippers will also be able to trade IP capacity on the secondary market with other parties. PRISMA will provide functionality for entering secondary trades, once it is in operation for NI. Shippers who require more entry capacity than provided for in their Initial Entitlement will be able to apply for more, by no later than 30th April 2015 in accordance with the transitional rules in this Code Modification Proposal.
2. Reductions in Initial Entitlements

Further to Industry feedback, to provide the opportunity for Shippers to re-adjust their portfolio where it is possible, the TSOs now propose to allow Shippers to apply to reduce all or part of their Initial Entitlements. A reduction of Initial Entitlement will only be accepted if there is another Shipper who wishes to buy some (more) Entry Capacity for the relevant period. The Code Modification provides for complete or partial reductions but it should be noted that if there are no new applications for Entry Capacity received by 30th April 2015, then no applications to reduce Initial Entitlements will be accepted. It should also be noted that this approach to reduction of Initial Entitlements will only apply for these transitional arrangements, to allow Shippers to re-adjust their initial portfolios where possible. Long term arrangements for surrender of (bundled and unbundled) IP Entry Capacity will be developed to take effect after October 2015.

3. Surrender Process for Exit Capacity

The TSOs intend to allow surrender of Exit Capacity for future Gas Years where there are other Shippers who wish to buy capacity at the relevant Exit Point for the relevant Gas Years. Accordingly, the current rules in section 1.11 which refer to the surrender of Firm Capacity in the point-to-point regime will no longer apply and the rules in this Code Modification Proposal will apply instead, in relation to Exit Capacity surrenders.

4. Application process

Having considered industry feedback, the TSOs have concluded that it is not necessary to offer a Joint Application for Entry and Exit Capacity. Instead, they propose that Shippers should simply apply separately for any additional Entry and Exit capacity that they require for future gas years. The existing rules for applications for Firm Capacity in section 1.7 will apply for Exit Capacity, and the rules in this Code Modification Proposal will apply for Entry Capacity applications.

5. Capacity Allocation Process

Having concluded that there should be no Joint Applications for capacity, this also enables Entry and Exit Capacity to be allocated independently of each other. The processes will therefore be carried out separately for Entry and Exit, during the month of May 2015. As a consequence and to simplify drafting, the TSOs have removed references to the ‘Application Window’ and the ‘Assessment Window’, although the dates for the completion of processes remain as published in the Business Rules consultation.

6. Shipper Forecast Information

At present Shippers are required to provide various forecast information to the TSOs at different times in the Gas Year for the purposes of tariff setting, as well as for operational planning and, where needed, credit re-assessment. In order to avoid repetitive or otherwise overly arduous information requests, for the purposes of the next round of forecast information (i.e. applicable to Gas Year 2015-2016 and beyond), the TSOs are proposing to provide Shippers with a single forecast information form which will support the development of the Ten Year Statement (previously the Five Year
Statement), provide information from which final Tariffs will be derived by Ureg, and also form the basis for reassessing a Shipper’s Required Level of Credit. The intention is also that provision of this information will satisfy the Shipper’s licence condition to provide such information to the TSOs. The form will set out the units/time periods etc. over which the information is required to be provided. Shippers are asked to note the timescales and process, since the accuracy of this information is particularly important in avoiding/minimising end of year reconciliation charges for all parties.

7. Entry Point Registrations

The Code Modification legal text provides for automatic registration as described in the business rules, and also clarifies that it is not necessary for an existing Shipper to provide a ‘notice of intention’ in relation to this automatic process. The notice of intention is only relevant to prospective Shippers and refers more broadly to their intention to become a Shipper.
PROPOSED LEGAL TEXT

T1  TRANSITIONAL ARRANGEMENTS FOR THE INTRODUCTION OF ENTRY CAPACITY

T1.1  Introduction

T1.1.1  From the Transition Date IP Entry Capacity is being introduced at IP Entry Points.

T1.1.2  In accordance with Section C, a Shipper is not required to apply for Belfast Gas Capacity but is treated as holding Belfast Gas Capacity corresponding to the PTL Firm Capacity which the Shipper holds pursuant to the PTL Code.

T1.1.3  Pursuant to the PTL Code, in relation to a PTL Belfast Gas Exit Point a Shipper may be allocated an Initial Entitlement of IP Entry Capacity corresponding to its holding of PTL Firm Capacity. Initial Entitlements shall be allocated (and a Shipper may apply to reduce its Initial Entitlement) pursuant to the PTL Code.

T1.1.4  For the avoidance of doubt, as there is no IP Entry Point on the Belfast Gas System, a Shipper shall not be required to apply for or hold IP Entry Capacity on the Belfast Gas System.

T1.1.5  This section T1 sets out the transitional provisions which will apply to Shippers from the Implementation Date.

T1.2  Definitions

T1.2.1  In this Section T1:

(a)  “Implementation Date” means 1st January 2015;

(b)  “Initial Entitlement” has the meaning ascribed to it in the PTL Code;

(c)  “Shipper Forecast Information Request” has the meaning given to it in Section T1.6;

(d)  “Transition Date” means 1st October 2015;

(e)  “Transition Period” means the period between the Implementation Date and the Transition Date.

T1.3  Capacity Transition

T1.3.1  From the Transition Date,

(a)  existing allocations of PTL Firm Capacity at a PTL Belfast Gas Exit Point shall be treated under the PTL Code as allocations of the same quantity and duration of PTL Exit Capacity at the relevant PTL Belfast Gas Exit Point;

(b)  the Belfast Gas Firm Capacity that a Shipper is treated as holding pursuant to Section C paragraph 3 (by reason of holding PTL Firm Capacity at the relevant PTL Belfast Gas Exit Point) shall be treated as a holding of the same quantity and duration of
Belfast Gas Exit Capacity at a Belfast Gas Exit Point (by reason of holding PTL Exit Capacity at the relevant PTL Belfast Gas Exit Point) and a corresponding Initial Entitlement of IP Entry Capacity.

T1.3.2 Initial Entitlements of IP Entry Capacity shall be determined and allocated by PTL and paid for by Shippers pursuant to the PTL Code and a Shipper may apply to reduce all or part of its Initial Entitlement pursuant to the PTL Code.

T1.3.3 From the Transition Date, Belfast Gas shall be entitled to invoice for Belfast Gas Exit Capacity in accordance with Section F and a Shipper undertakes to pay such invoices in accordance with Section F.

T1.3.4 Belfast Gas shall reassess the Required Level of Credit Support for each Shipper for the Gas Year 2015-2016 during August 2015 and shall use the information provided pursuant to Section T1.6 when carrying out its reassessment.

T1.4 Surrender of PTL Firm Capacity during the Transition Period

T1.4.1 During the Transition Period, a Shipper may apply to surrender PTL Firm Capacity in respect of a PTL Belfast Gas Exit Point pursuant to the PTL Code.

T1.4.2 Where the amount of PTL Firm Capacity a Shipper holds in respect of a PTL Belfast Gas Exit Point increases or decreases as a result of surrender of PTL Firm Capacity pursuant to the PTL Code, the amount of Belfast Gas Firm Capacity the Shipper is treated as holding at the corresponding Belfast Gas Exit Point shall be equal to the amount of PTL Firm Capacity the Shipper holds pursuant to the PTL Code following the acceptance of any such surrender by PTL.

T1.5 Notifications

T1.5.1 Belfast Gas will procure that PTL shall notify Belfast Gas of the amount and duration of PTL Exit Capacity at a PTL Belfast Gas Exit Point that PTL has allocated a Shipper and which the Shipper shall be treated as holding with effect from the Transition Date.

T1.6 Shipper Forecast Information Requirements during the Transition Period

T1.6.1 A Shipper shall be required to provide its bone fide estimate of certain forecast information by 12th June 2015 in accordance with a “Shipper Forecast Information Request”.

T1.6.2 Belfast Gas shall provide the Shipper Forecast Information Request to Shippers by no later than 15th May 2015.

T1.6.3 Subject also to Section T1.6.4, the Shipper Forecast Information Request shall require completion of at least the following details in respect of a ten-year period commencing on the Transition Date:

(a) the amount of Belfast Gas Exit Capacity at each Belfast Gas Exit Point which the Shipper forecasts it will hold;
(b) the quantity of gas which the Shipper forecasts it will flow at each Belfast Gas Exit Point.

T1.6.4 Belfast Gas shall specify on the Shipper Forecast Information Request the units and any other details or information for which it may reasonably require Shippers to provide a forecast, for the purposes of compliance with EU legislation and/or the licence requirements of Belfast Gas and/or Shippers.

T1.6.5 For the purposes of Gas Year 2014-2015, information provided by a Shipper pursuant to this Section T1.6 shall be treated as satisfying the requirements of Section G paragraph 7.

T1.6.6 The information to be provided by a Shipper pursuant to this Section T1.10 shall be treated as having been requested by Belfast Gas for the purposes of:

(a) the Shipper’s Gas Supply Licence which obliges it to provide information to a licence holder to enable such licence holder to draw up plans for, inter alia, the safe operation of its system;

(b) the reassessment of the Required Level of Credit Support for Gas Year commencing on the Transition Date.
SCHEDULE K  INTERPRETATION

Insert the following new definitions:

“Belfast Gas Exit Capacity” means firm capacity in the Belfast Gas System which a Shipper is treated as utilising in offtaking gas from the Belfast Gas System at a Belfast Gas Exit Point;

“Interconnection Point” has the meaning ascribed to it in the PTL Code;

“IP Entry Capacity” has the meaning ascribed to it in the PTL Code.

“PTL Exit Capacity” means PTL firm Exit Capacity which constitutes “Exit Capacity” within the meaning ascribed to that term in the PTL Code;

“IP Entry Point” has the meaning ascribed to it in the PTL Code;