Proposed Modification & Initial Modification Report No.8
Implementation of Daily Capacity & Virtual Reverse Flow

13th June 2012

Please find attached details of Proposed Modification 8 & Initial Modification Report 8, raised by Belfast Gas Transmission Ltd (BGTL) as required under Section 2 and 3 of BGTLs Transmission Code Modification Rules.

A Description of the nature and purpose of the modification

On 26th January 2012 the United Kingdom of Great Britain and Northern Ireland had a court proceeding taken against it by the European Commission. This proceeding was taken in relation to non-compliance with certain aspects of Gas Regulation (EC) No 1775/2005 as notified by the European Commission on 24th June 2010. Northern Ireland is in breach of the Regulation by not offering to its network users any short term capacity product, a backhaul service at a minimum as a virtual service, and maximum capacity on the BGE(NI) South North Pipeline.

Modification 7, published on 18th May, addressed the charging and credit terms in BGTL’s Code to support the new daily capacity product, as well as the new virtual reverse flow service.

This modification 8 addresses business processes required to implement the virtual reverse flow service and the daily capacity product in the BGTL Transmission Code.

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. On introduction of a daily capacity product Shippers will be able to avail themselves of short term capacity and it is anticipated that this will enhance the efficient operation of the network. Similar benefits are anticipated as a result of the introduction of virtual reverse flow services. Through these Modifications, the UK would address the infringement of Gas Regulation (EC) No 1775/2005 with respect to not offering network users a short term product or reverse flow services.

This Modification is required to ensure that the operating framework and definitions in the BGTL Transmission Code are updated to reflect the provision of the virtual reverse flow service.

C The clauses of the Transportation Code that require amendment
Please see the attached marked up version of the relevant parts of the BGTL Transportation Code.

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

BGE(NI) code modifications 9, 10 & 11 are to accommodate a daily capacity product on the BGE(NI) network, to accommodate the physical entry point on the South North Pipeline and to implement virtual reverse flow arrangements for BGE(NI) respectively.

PTL Code Modifications 19 & 21 are separate code modifications to make the changes necessary to introduce a daily capacity product and the virtual reverse flow service respectively into PTL’s Code.

Along with this BGTL code modification these changes will facilitate a streamlined daily capacity and virtual reverse flow service in Northern Ireland.

E The date proposed for implementation

BGTL suggest that the proposed implementation date is 1\textsuperscript{st} July 2012

Given the imperative to deliver this Modification to meet the infringement requirements as soon as possible, BGTL wrote to the Authority on 27\textsuperscript{th} April to request permission for shortened Code consultation period, in accordance with section 11.1 of the Code Modification Rules. The Authority gave its permission on 3\textsuperscript{rd} May 2012. The Consultation Period for this Modification will therefore be 10 business days, and responses are therefore requested by 26\textsuperscript{th} June 2012.

Please send responses to:

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Proposed Legal Text: BGTL Code

SECTION A: THE SYSTEM

2 System Points

Amend section 2.1 to read as follows:

2.1 For the purposes of the Code and in relation to the Belfast Gas System:

(a) the "Greater Belfast Exit Point" comprises each of the Individual Belfast Exit Points;

(b) the "Carrickfergus Exit Point" is the point at Carrickfergus at which gas can flow out of the Belfast Gas System and into the BGE (NI) System;

(c) an "Individual Belfast Exit Point" is one of the four points (which for the avoidance of doubt shall include the Lisburn Exit Point) at which gas can flow out of the Belfast Gas System and into a distribution pipe-line owned and operated by Phoenix, the conveyance of gas through which is authorised by the Phoenix Licence;

(d) "Individual Exit Point" means a point at which gas can flow out of the Belfast Gas System (which for the avoidance of doubt shall include the Lisburn Exit Point);

(e) the "Belfast Gas Entry Point" is the point at Ballylumford at which gas can flow into the Belfast Gas System and out of the PTL System;

(f) a "Belfast Gas Exit Point" is the Greater Belfast Exit Point and the Carrickfergus Exit Point;

(g) the “Lisburn Exit Point” is the point at which gas can flow out of the BGE (NI) System and into a distribution pipe-line owned and operated by Phoenix, the conveyance of gas through which is authorised by the Phoenix Licence;

(h) the “Carrickfergus Virtual Entry Point” is the point at Carrickfergus at which gas may be deemed to virtually flow out of the BGE(NI) System and into the Belfast Gas System;

(i) the “Belfast Gas Ballylumford Virtual Exit Point” is the point at Ballylumford at which gas may be deemed to virtually flow out of the Belfast Gas System and into the PTL System.
4 PTL System Points

Amend section 4 to read as follows:

4.1 For the purposes of the Code:

(a) the “PTL Ballylumford Exit Point” is the exit point from the PTL System at Ballylumford at which gas flows out of the PTL System and into the Belfast Gas System (which point is immediately upstream of the Belfast Gas Entry Point); and

(b) a “PTL Belfast Gas Exit Point” is a notional exit point from the PTL System comprised in the PTL Ballylumford Exit Point which, for the purposes of the PTL Code, corresponds to a Belfast Gas Exit Point, and in respect of which a Shipper may pursuant to the PTL Code:

(i) hold PTL Capacity;

(ii) make a PTL Nomination; and

(iii) be treated as offtaking a quantity of gas from the PTL System.

(c) the “PTL Ballylumford Virtual Entry Point” is the point at which gas may be deemed to virtually flow out of the Belfast Gas System and into the PTL System (which point is immediately upstream of the Belfast Gas Ballylumford Virtual Exit Point); and

(d) a “PTL Exit Point” is a point on the PTL System upstream of the PTL Ballylumford Virtual Entry Point at which, for the purposes of the PTL Code, gas may flow, or be deemed to virtually flow, out of the PTL System.

4.2 For the purposes of the Code a PTL Belfast Gas Exit Point “corresponds” to the Belfast Gas Exit Point which, for the purposes of the PTL Code, the PTL Belfast Gas Exit Point is defined as corresponding to.

4.3 The points on the PTL System which constitute PTL Exit Points for the purposes of the Code are Stranraer Exit Point, Ballylumford Exit Point and Moffat Virtual Exit Point (each of such Exit Points having the meaning given in the PTL Code).
Amend section B paragraph 1 to read as follows:

1 Capacity, nominations and allocations

1.1 Pursuant to the PTL Code and; (i) in relation to a PTL Belfast Gas Exit Point a Shipper:

(a) may apply for and hold PTL Capacity for a Day which corresponds to the capacity which the Shipper wishes to utilise in the Belfast Gas System by offtaking gas at the corresponding Belfast Gas Exit Point on such Day;

(b) may make a nomination in respect of the offtake of gas on a Day from the PTL System which corresponds to the quantity of gas the Shipper intends or expects to offtake from the Belfast Gas System on such Day at the corresponding Belfast Gas Exit Point on such Day; and

(c) may be treated as offtaking a quantity of gas on a Day from the PTL System which corresponds to the quantity of gas offtaken from the Belfast Gas System at the corresponding Belfast Gas Exit Point on such Day; and.

(ii) in relation to the PTL Belfast Gas Exit Point which corresponds to the Greater Belfast Exit Point a Shipper:

(a) may make an Interruptible VRF Nomination in respect of the offtake of gas on a Day from the PTL System which corresponds to the quantity of gas the Shipper intends or expects to offtake pursuant to the Interruptible VRF Nomination at the PTL Belfast Gas Exit Point which corresponds to the Greater Belfast Exit Point; and

(b) may be treated as offtaking a quantity of gas on a Day from the Belfast Gas System which corresponds to the quantity of gas offtaken pursuant to the Interruptible VRF Nomination from the PTL System at the PTL Belfast Gas Exit Point which corresponds to the Greater Belfast Exit Point on such Day; and

(iii) in relation to the PTL Belfast Gas Exit Point which corresponds to the Carrickfergus Exit Point for onwards transportation to the SN Virtual Exit Point a Shipper:

(a) may make an Interruptible VRF Nomination in respect of the offtake of gas on a Day from the PTL System which corresponds to the quantity of gas the Shipper intends or expects to offtake at the PTL Belfast Gas Exit Point.
Point which corresponds to the Carrickfergus Exit Point for onwards transportation to the SN Virtual Exit Point; and

(b) may be treated as offtaking a quantity of gas on a Day from the Belfast Gas System which corresponds to the quantity of gas offtaken pursuant to the Interruptible VRF Nomination from the PTL System at the PTL Belfast Gas Exit Point which corresponds to the Carrickfergus Exit Point for onwards transportation to the SN Virtual Exit Point on such Day; and

(iv) in relation to a PTL Exit Point:

(a) may make an Interruptible VRF Nomination in respect of the offtake of gas on a Day from the PTL System which corresponds to the quantity of gas the Shipper intends or expects to virtually offtake from the Belfast Gas System at the Belfast Gas Ballylumford Virtual Exit Point; and

(b) may be treated as offtaking a quantity of gas on a Day from the Belfast Gas System at the Belfast Gas Ballylumford Virtual Exit Point which corresponds to the quantity of gas offtaken pursuant to the Interruptible VRF Nomination from the PTL System at the corresponding PTL Exit Point.

1.2 By reason of the technical and operational characteristics of the Belfast Gas System and the provisions of the PTL Code referred to in paragraph 1.1, for the purposes of the Code Shippers:

(a) shall not be required to apply for Belfast Gas Capacity but shall be treated, in accordance with Section C, as holding Belfast Gas Capacity at a Belfast Gas Exit Point on a Day by reason of holding PTL Capacity on such Day at the relevant PTL Belfast Gas Exit Point;

(b) shall not be required to submit nominations, (or Interruptible VRF Nominations) to Belfast Gas in respect of the delivery or offtake of gas from the Belfast Gas System;

(c) shall be treated as offtaking and/or virtually offtaking a quantity of gas from the Belfast Gas System on a Day which, in accordance with Section D, is the same quantity which the Shipper is treated as offtaking from the PTL System at the PTL Ballylumford Exit Point and/or virtually delivering at the Carrickfergus Virtual Entry Point (and therefore delivering to the Belfast Gas System) on such Day.

1.3 Accordingly, Belfast Gas will not be required for the purposes of the Code to:
(a) invite applications for Belfast Gas Capacity;

(b) accept or reject nominations from Shippers in respect of quantities of gas to be delivered or offtaken from the Belfast Gas System on a Day; or

(c) allocate the total quantity of gas offtaken from the Belfast Gas System at a Belfast Gas Exit Point amongst those Shippers treated pursuant to the PTL Code as offtaking gas at the Belfast Gas Exit Point on a Day.

Amend section B paragraph 2 to read as follows:

2 Balancing, scheduling and unauthorised flow

2.1 Shippers are required to pay PTL certain charges pursuant to the PTL Code where:

(a) the quantity of gas which the Shipper is treated as offtaking from the PTL System at a PTL Belfast Gas Exit Point and/or a PTL Exit Point on a Day differs from the quantity which the Shipper nominated for offtake at the PTL Belfast Gas Exit point and/or PTL Exit Point on such Day;

(b) the quantity of gas which the Shipper is treated as delivering to the PTL System on a Day for offtake from the PTL System at a PTL Belfast Gas Exit Point and/or a PTL Exit Point differs from the quantity of gas which the Shipper is treated as offtaking from the PTL System at the PTL Belfast Gas Exit Point and/or a PTL Exit Point on such Day;

(c) the quantity of gas, which for the purposes of PTL Code is treated as an interruptible allocated quantity of gas, the Shipper is treated as offtaking from the PTL System at a PTL Belfast Gas Exit Point on a Day exceeds, by more than the permitted tolerance, the interruptible quantity which the Shipper nominated for offtake at the PTL Belfast Gas Exit point on such Day.

SECTION C: SYSTEM CAPACITY - consulted on separately as part of Modification 7

SECTION D: ALLOCATION - consulted on separately as part of Modification 7

SECTION E: ENTRY AND EXIT REQUIREMENTS

Insert new paragraph 2.5 in section E to read as follows:

2.5 Shippers acknowledge that, as no physical flows of gas into the Belfast Gas System are permitted at the Carrickfergus Virtual Entry Point, gas entry and exit conditions as set out in this section E are not required and do not apply in relation to that point, other than as specified in paragraph 6.
Amend paragraph 6 to read as follows:

6 Title and risk

6.1 Title and risk in gas;

(a) delivered to the Belfast Gas System at the Belfast Gas Entry Point shall pass to Belfast Gas at the Belfast Gas Entry Point; and,

(b) virtually delivered to the Belfast Gas System at the Carrickfergus Virtual Entry Point shall pass to Belfast Gas at the Carrickfergus Virtual Entry Point as the gas is virtually put into the Belfast Gas System.

6.1A To the extent that it is necessary to determine the same the proportions in which Shippers shall be treated as:

(a) virtually taking the gas referred to in 6.1(b) out of the BGE(NI) System;

(b) putting such gas into the Belfast Gas System; and

(c) having title and risk in such gas,

shall be equal to their Interruptible VRF Nominations made pursuant to PTL’s Code.

6.2 Each Shipper warrants to Belfast Gas:

(a) that such Shipper will have title (at the Belfast Gas Entry Point or the Carrickfergus Virtual Entry Point) to all gas delivered to the Belfast Gas System at the Belfast Gas Entry Point or virtually delivered at the Carrickfergus Virtual Entry Point, as the case may be;

(b) that all such gas will at the Belfast Gas Entry Point and/or the Carrickfergus Virtual Entry Point be free of lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and transportation arising on or before the delivery thereof to the Belfast Gas System.

6.3 Each Shipper shall indemnify Belfast Gas and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against Belfast Gas in consequence of a breach of the warranties in paragraph 6.2.

6.4 Title and risk in gas;
(a) offtaken from the Belfast Gas System at an Individual Exit Point shall pass to the
Shipper offtaking gas at the Individual Exit Point; and
(b) virtually offtaken from the Belfast Gas System at the Belfast Gas Ballylumford
Virtual Exit Point shall pass (as the gas is virtually taken out of the Belfast Gas
System) from Belfast Gas to Shippers and simultaneously, (as the gas is virtually
put into the PTL System) at the PTL Ballylumford Virtual Entry Point, from
Shippers to PTL in accordance with the PTL Code.

6.4A To the extent that it is necessary to determine the same, the proportions in which
Shippers shall be treated as:
(a) virtually taking the gas referred to in 6.4.(b) out of the Belfast Gas System;
(b) putting such gas into the PTL System; and
(c) having title and risk in such gas,
shall be equal to their Interruptible VRF Nominations made pursuant to PTL’s Code.

6.5 Belfast Gas warrants to each Shipper that Belfast Gas will have title (at an Individual Exit
Point or the Belfast Gas Ballylumford Virtual Exit Point) to all gas made available for
offtake from the Belfast Gas System at the Individual Exit Point or for virtual offtake from
the Belfast Gas Ballylumford Virtual Exit Point and that such gas will be free of lien,
charge, encumbrance or adverse claim (as to title or otherwise), including any claim for
any tax, royalty or other charge in respect of the production, gathering, processing and
transportation arising on or before the offtake thereof from the Belfast Gas System.

6.6 Belfast Gas shall indemnify each Shipper and hold it harmless against any loss, liability,
damage, claim, action, proceeding, cost and expense suffered or incurred by or made or
brought against Belfast Gas in consequence of a breach of the warranties in paragraph
6.5.
SECTION F: CHARGES, PAYMENT AND TAX - consulted on separately as part of Modification 7

SECTION G: CREDIT PROCEDURES - consulted on separately as part of Modification 7

Amend erroneous reference to Belfast Gas in paragraph 4.3 in section G as consulted on in Modification 7 to read as follows:

4.3 Where from time to time, following a re-assessment under section 6.1 (g), Belfast Gas makes a determination to the effect that a Shipper or Prospective Shipper has a Provided Level of Credit Support less than its Required Level of Credit Support:

(a) Belfast Gas shall notify PTL in writing of the Required Level of Credit Support and the Provided Level of Credit Support of the Shipper or Prospective Shipper; and

(b) the Shipper or Prospective Shipper shall have its application for PTL Daily Capacity rejected by PTL Belfast Gas to the extent that its prevailing Provided Level of Credit Support is less than its Required Level of Credit Support following the making of such determination. For the avoidance of doubt a Shipper or Prospective Shipper may make a Credit Application in advance of the Daily Capacity Application Window in order to ensure that it will meet the Required Level of Credit Support at the time of the reassessment by Belfast Gas in accordance with section 6.1 (g).

SECTION J: GENERAL Paragraph 7 - consulted on separately as part of Modification 7

SECTION J: GENERAL Changes to other Paragraphs

3. Accession

Amend section J paragraph 3.5 to read as follows:

3.5 A Shipper shall provide Belfast Gas with a copy of any application for an exit point registration or extension to an exit point registration in respect of a Belfast Gas Exit Point which it submits to PTL pursuant to the PTL Code.

Insert new paragraph 3.9 at the end of section J paragraph 3

3.9 For the avoidance of doubt, termination of an exit point registration does not relieve a Shipper of its obligations in relation to Credit Support in accordance with paragraph G2.6
SECTION K  INTERPRETATION

Insert the following new definitions as well as those proposed in Modification 7

“Interruptible VRF Nomination” has the meaning given to it in the PTL Code;

“SN Virtual Exit Point” means the point at which gas can be deemed to virtually flow out of the BGE (NI) System at the South North Interconnection Point, as defined in the PTL Code;

“Moffat Virtual Exit Point” means a notional point on the PTL System at which gas can be deemed to virtually flow out of the Transportation System and into the NTS as defined in the PTL Code;

“Transportation System” has the meaning given to it in the PTL Code;

APPENDIX 3.  CREDIT COMMITTEE Terms of reference - consulted on separately as part of Modification 7