Emmet McFadden  
Operations Officer  
3 Wellington Park  
Malone Road  
Belfast BT9 6DJ

26th October 2005

Dear Emmet,

Modification Proposal No 11: Exit Point Tolerance at Phoenix Exit Point No 1.

Please find attached Phoenix Natural Gas’ proposal for modifications to the PTL Network Code, which proposes an amendment to the method in which exit point tolerances are calculated under the Code.

Phoenix Distribution has raised this modification on behalf of Suppliers.

1. Description of the nature and purpose of the modification

Currently under the code a prospective shipper is assigned the existing Exit Point Tolerance in place at that exit point when making an application to become a Shipper on the PTL system irrespective of the type of downstream load they will supply.

With the introduction of supply competition in the Greater Belfast area, where customers with an annual consumption of greater than 733 MWh are currently in the competitive arena, a new Supplier in the market will be awarded the Exit Point Tolerance currently held by Phoenix Supply. Under the PTL code the tolerance level given to a prospective shipper would be that of Phoenix’s Supply business which is currently 17.23%. However if the current PTL tolerance level calculations where applied to a Supplier providing gas to customers in the competitive arena only a 10% tolerance level would be assigned.

Phoenix’s exit point tolerance is reflective of the large proportion of its current customer base being in the domestic and small commercial sectors and as it loses customers in the larger industrial and commercial sector to other suppliers its Exit Point Tolerance level should increase. Under the current regime this would mean that a prospective shipper’s tolerance would also increase even though the customers they are able to supply should only have a tolerance of 10%.
Phoenix believe that awarding an Exit Point Tolerance on an aggregated level is therefore unfair to a Supply business with a large proportion of its customer base in the domestic and small commercial sector and this modification proposes that PTL assign Exit Point Tolerance levels based on an individual shippers downstream load.

Phoenix proposes that in the first year of operation for a new Shipper on the PTL system the Shipper will be awarded the existing aggregated tolerance level at the exit point if the Shipper accedes to the PTL code after the mid year date of the Gas Year. The new Shipper will then submit a revised load statement before the start of the new gas year which PTL will use to calculate their Exit Point Tolerance. If a Shipper acceded to the PTL code prior to the mid year date of the gas year then Phoenix proposes that the aggregated Exit Point Tolerance will be applicable until the mid year date. The new Shipper will then be obliged to submit, no later than the mid year date, a revised downstream load statement. PTL will then calculate the revised Exit Point Tolerance level for the Shipper which will become applicable from the mid year date.

2. How the modification better facilitates the Relevant Objective

Phoenix believes that this modification requires Premier Transmission to treat all Shippers on their system in a more fair and equitable manner in relation to Exit Point Tolerance level determination. Exit Point Tolerance exists to encourage Shippers to provide accurate nominations on the PTL system. This modification proposal to assign a unique Exit Point Tolerance to a Shipper based on their specific downstream load encourages further increased accuracy of nominations. On this basis Phoenix believe that this modification meets the Relevant Objective in the PTL licence.

3. The sections of the Transportation Code that require amendment

The sections requiring amendment are:

**Section 4.2 Exit Point Tolerance**

- Paragraph 4.2.1
- Paragraph 4.2.3 – New paragraph
- Paragraph 4.2.4 – New paragraph

**Section 17.7 Downstream Load Statements**

- Paragraph 17.7.1
- Paragraph 17.7.2
- Paragraph 17.7.3
- Paragraph 17.7.4
- Paragraph 17.7.5
- Paragraph 17.2.2
4. The date proposed for implementation

3rd February 2006

Yours sincerely,

Joanne Quinn
Transportation Services Manager
Phoenix Natural Gas

c.c. Kevin Shields Ofreg
    Brian McHugh Ofreg
Section 4.2 Exit Point Tolerance

Paragraph 4.2.1

4.2.1 Premier Transmission shall, within 10 Business Days of first receiving a Downstream Load Statement in respect of an Exit Point in accordance with section 17.7, calculate a tolerance, expressed as a percentage, at that Exit Point for a Shipper or Prospective Shipper using the information contained in the Downstream Load Statement as set out below (an "Shipper Exit Point Tolerance"): 

Paragraph 4.2.3 – Add new paragraph

4.2.3 If the Exit Point Tolerance being calculated is for a Prospective Shipper then the Shipper will be deemed to hold the aggregated Exit Point Tolerance at such Exit Point for the Gas Year in which it becomes a Shipper if the Prospective Shipper accedes to the Premier Transmission Network Code after the mid year date of the Gas Year.

Paragraph 4.2.4 – Add new paragraph

4.2.4 If the Exit Point Tolerance being calculated is for a Prospective Shipper and the Prospective Shipper accedes to the Premier Transmission Network Code prior to the mid year date of the Gas Year then the Shipper will be deemed to hold the aggregated Exit Point Tolerance at such Exit Point until the mid year date.

Section 17.7 Downstream Load Statements

Paragraph 17.7.1

17.7.1 A Shipper shall be required to provide Premier Transmission with a statement in the Prescribed Form (a "Downstream Load Statement") in respect of an Exit Point before it may obtain an Exit Point Registration in respect of that Exit Point if no other Shipper has an Exit Point Registration in respect of the Exit Point.

Paragraph 17.7.2 – Remove existing text and add new paragraph

17.7.2 Premier Transmission shall make the Downstream Load Statement available to all Shippers with an Exit Point Registration in respect of the Exit Point to which it relates. The Prospective Shipper who accedes to the Premier Transmission Network Code after the mid year date of the Gas Year will be obliged to submit to Premier Transmission a Downstream Load Statement at least 15 Business Days before the start of the following Gas Year to allow Premier Transmission to calculate the Shipper Exit Point Tolerance.

Paragraph 17.7.3 – Add new paragraph and renumber existing paragraphs 17.7.3 and 17.7.4 to 17.7.5 and 17.7.6 respectively
17.7.3 The Prospective Shipper who accedes to the Premier Transmission Network Code before the mid year date of the Gas Year will be obliged to submit to Premier Transmission a Downstream Load Statement at least 15 Business Days before the mid year date in which it becomes a Shipper to allow Premier Transmission to calculate the Shippers Exit Point Tolerance.

17.7.4 Premier Transmission shall calculate a revised Exit Point Tolerance for the Shipper for the following Gas Year within 10 Business Days of receiving the Downstream Load Statement.

17.7.5 A Shipper or a Prospective Shipper wishing to become a Shipper shall, if it becomes aware that any information in a Downstream Load Statement is incorrect, provide Premier Transmission on 10 Business Days notice with a revised Downstream Load Statement which is accurate. References in this Code to a Downstream Load Statement are to the latest revised Downstream Load Statement from time to time.

17.7.5 A Downstream Load Statement shall contain the End User's statement of the maximum quantity in MWh/day which may reasonably be required to supply the relevant Downstream Load Category.

Paragraph 17.2.2 (b) – Amend reference in this paragraph to 17.7.3 to 17.7.5

17.2.2 A Prospective Shipper wishing to become a Shipper:

(b) shall provide to Premier Transmission a Downstream Load Statement if required in accordance with section 17.7.1 or 17.7.35;