Introduction

Detailed below are the Phoenix Natural Gas Ltd. (PNGL) comments on the Modification Reports issued by Premier Transmission Ltd (PTL) and BGE (NI) for the changes proposed to their Transportation Codes for CAM and the introduction of an Entry Exit regime.

PNGL understands that proposed mechanisms are as a result of Utility Regulator decisions; therefore we believe it is necessary to issue a copy of this response to the Utility Regulator for consideration and response also.

Having reviewed these proposals it is extremely disappointing to note that several of the key issues raised by PNGL have not been considered or addressed in this drafting. We have also taken the opportunity when preparing this response to correct some inaccuracies we believe are contained in PTL’s response to the consultation on the inclusion of CAM and Entry Exit into the NI transmission regime, particularly in the area of Exit Capacity Ratchets.

Exit Capacity Ratchet – Transportation Code clause 1B.12

PNGL is extremely disappointed and somewhat frustrated that the proposal to include this mechanism is still considered appropriate despite all respondents expressing concerns with the proposal and in particular despite PNGL making it clear to both Transmission System Operators (TSOs) and the Utility Regulator that it will not accept further obligations in this area.

We recognise that the proposal is to address the lack of capacity booking obligations for Shippers who utilise transmission exit points which do not interface with a distribution network but this surely cannot and should not be resolved by adding further obligations on DNOs. PNGL would reiterate its previous comment on this that the TSOs and Utility Regulator must accept that for as long as different rules apply to the booking of capacity for DNO shippers then any new rules developed in relation to Exit Capacity must give consideration to this difference. This certainly is not the case in this instance and DNOs, the Shippers who utilise their network and indeed consumers should not be penalised as a result of inadequacies in the transmission regime.

We note that the proposed code text includes the clause (12.2 (d)):

“individual Shippers shall not be liable to pay Premier Transmission Ratchet Charges (and shall not be allocated Exit Capacity) but nothing in this Code shall prevent the DNO applying charges under its own distribution network code”
Assuming that a DNO could accept the additional liabilities of this ratchet mechanism, PNGL believe that it is completely inappropriate for all responsibility to be placed on them as suggested by PTL in their ‘Summary of Consultation Responses on CAM and changes for Entry-Exit Business Rules’ document, to devise processes and systems to facilitate a transmission activity. It has to be responsibility of both the Utility Regulator and TSOs to define an appropriate process, consult with affected Shippers and develop a system to manage this transmission requirement.

In the Utility Regulator’s conclusions paper on the introduction of entry charges in to the Northern Ireland Postalised regime (5th February 2015) in response to PNGL’s concerns about the introduction of this overrun charge, the Utility Regulator has stated that “PNGL have a licence requirement to book sufficient capacity for a one in twenty winter. Therefore we consider that this proposal is likely to have only a minimal impact, if any on PNGL processes.”

PNGL would point out irrespective of whether this issue never occurs or even occurs only once, this proposal would be a Code requirement and it is therefore essential that a proper process is defined with systems to support its application being in place to accommodate this therefore as with PTL’s comments on this aspect of the application of the ratchet mechanism the Utility Regulator’s comment is both inappropriate and irrelevant.

The PTL Summary of Consultation Responses document also makes the comment that:

“Our understanding is that the current Exit booking costs are not targeted at specific Shippers and are passed on, as a commodity charge; therefore, we do not see why it would be appropriate to target additional capacity charges at specific Shippers”

PNGL believe that this comment is both inaccurate and misleading. For clarity the Postalised capacity charge as published by the TSOs is expressed in commodity terms for the purpose of passing on such charges by DNOs but this is targeted in that it is passed on to Shippers relevant to their portfolio in any given month. Although the agreed process is not considered free from risk for Shippers it is considered fair and allows the Shipper to prepare quotations for potential new customers with a degree of certainty. With regards the suggestion by PTL that this approach should apply to the ratchet mechanism, PNGL would point out that the overrun of capacity may have been caused by one Shipper, who cannot be identified and therefore the suggestion that all Shippers should pick up their proportion of this charge appears to be unfair, potentially anti-competitive and could be seen as a barrier to entry for new market entrants as it creates uncertainty and adds further risk in the provision of quotations for the supply of gas.

As referenced above, PNGL has always clearly indicated to the TSOs and the Utility Regulator it cannot accept additional risks for facilitating this capacity booking process and we believe that this ratchet mechanism does in fact add risk. As part of the credit support arrangements which a gas supplier provides to PNGL there is a requirement to provide credit cover for the Postalised Capacity it will utilise. The ratchet amounts and resulting penalties are very much unknown quantities and therefore this cannot be factored into such credit support determination processes. PNGL is therefore being asked to be responsible for charges it neither has any control over nor has in place credit support arrangements to legislate against and therefore is exposed to further risks associated with this capacity booking function.

The TSOs have also not addressed the previously raised issue of aggregation of the BGEP1 and BGEP2. This is particularly important regarding the determination of overruns and the application of any ratchet mechanisms. The proposed Transportation Code drafting certainly does not address this issue or make it clear that any calculation of an overrun penalty will only apply where the sum of all
Shippers Allocations at BGEP1 is greater than the sum of the capacity at BGEP1 and BGEP2 held by PNGL at (clause 1B 12.2).

PNGL also believe that in addition to the comments above, all of its previous comments on this proposal are still applicable and would once again express its frustration that no consideration has been given to the many concerns raised by it, the lack of proper discussions with DNOs on its appropriateness or its application and would therefore ask that urgent and proper discussions are undertaken with DNOs to address these concerns.

**Exit Point Registration Requirements – Transportation Code clause 17.6**

Again PNGL had previously commented on this section of the PTL Transportation Code which indicated that a Shipper completing it registration requirements on the transmission network must have written confirmation from the downstream transporter of a connected system that the Shipper has entered into an agreement to ship gas on the connected system or written confirmation from a consumer that an agreement to supply is in place. PNGL has previously advised that it cannot provide this confirmation to the Shipper as it requires the Shipper to confirm that accession to the Transmission Transportation Codes has been completed before a Shipper is permitted to operate in its Licence Area (in line with the requirements of the market assurance process developed by UR and PNGL).

In the PTL Summary of Consultation Responses document PTL has advised that the requirement for written confirmation from a consumer, DNO or equivalent has always been present in the Exit Point Registration requirements, and Exit Point Registration was always a pre-requisite to being able to ship gas and it is for the DNOs to consider whether their Market Assurance process may need to be reviewed in light of these changes. PNGL would point out that in all accession processes it has completed to date it has never provided such assurance and therefore this calls into question the actual requirement of PTL for this information. We would also have strong concerns regarding a Shipper being encouraged to enter into agreements with consumers before market entry has been granted, which as previously stated will not be obtained until transmission accession has been completed. PNGL would once again ask that consideration is given to the removal of this requirement from the PTL Transportation Code.

**Exit Capacity Surrender – Transportation Code clause 1B 8.6 (a)**

This clause appears to indicate that where the total amount of surrendered capacity at an exit point is greater than the total quantity of exit capacity applied for then all applications for surrendered exit capacity would be accepted. PNGL would ask for clarity on this statement as this appears to be in conflict with previous Code wording that capacity can only be surrendered by a Shipper if another Shipper at the exit point has requested it i.e. surrendered capacity requests will only be accepted where the total amount of surrendered capacity being requested is less than or equal to exit capacity applied for. If surrendered capacity was greater clause 1B 8.6 (b) would then apply i.e. the Shipper could accept a reduced surrender amount.