Northern Ireland
Single Gas Transmission Code

High Level Approach Document for Industry Consultation

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1. **Introduction**

1.1. In December 2012, the Utility Regulator consulted on implementing the European Gas Regulation (715/2009) in Northern Ireland, and part of its proposed approach to the project was the implementation of ‘single system operation’ for Northern Ireland. The Utility Regulator’s July 2014 workplan for the NIED project showed the development of a ‘Single System Operator model’ and a Single Code during 2016.

1.2. The NIED project successfully delivered the requirements of the EU Network Codes on time for 1st October 2015. Since then, the NI TSOs have been progressing with the implementation of the Single System Operator model and have agreed a target date for implementation of these new arrangements of 1st October 2017 with the Utility Regulator. The key aspects of the Single System Operator model are:

- the development of a single gas transmission code across all networks (‘Single Code’);
- the development of a single IT transportation management system (‘Single IT System’)  
- the development of a single team to administer the code and provide a single interface for Shippers;


1.4. During 2016, the NI TSOs have undertaken a detailed comparative review of the existing NI Codes to develop the high level approach to the production of a Single Code. This document sets out, for each section of the existing Codes, the approach which the NI TSOs intend to take when preparing the Single Code.

1.5. This document also sets out the high level approach to the contractual form for the Single Code which will be needed to support the implementation of the proposed Contractual Joint Venture (CJV) structure for the single system operation.

1.6. Following receipt of responses to this consultation, the NI TSOs are planning to develop the full legal text of the Single Code during Q1 next year, and aim to publish a consultation on that text in April 2017. It is intended that the new code would become operational from 1st October 2017, although certain provisions will come into effect before that date. Please see Appendix 1 and section 3.3 below for more detail.

1.7. The NI TSOs will provide more information to stakeholders about the plans for the Contractual Joint Venture and the Single IT System separately. An Industry workshop has been scheduled for 21st November for this purpose.

2. **Relevant Context**

2.1. There are 4 NI TSOs, Premier Transmission Limited (PTL), Belfast Gas Transmission Limited (BGTL), West Transmission Limited (WTL) (all of which are owned by Mutual Energy) and Gas Networks Ireland (UK) (GNI (UK)). Each NI TSO owns and operates separate parts of the gas transmission pipelines and associated infrastructure in Northern Ireland. All the NI TSOs are party to the Northern Ireland Network Operators Agreement (NINOA) which sets out how they cooperate to ensure that the physical and commercial operation of the NI gas transmission system is co-ordinated.
2.2. Each NI TSO currently has its own gas transmission code, which forms the contractual basis for gas transmission with its respective customers (Shippers).

2.3. Historically the NI TSOs have worked together, in accordance with their licence obligations, to ensure that they use the same business processes and hence that the arrangements for Shippers are consistent across Northern Ireland. The BGTL Code is written so as to enable all the transactions that Shipper have to do to be given effect by their actions under the PTL Code, and their capacity rights on the BGTL pipeline are determined by reference to bookings made under the PTL Code. Consequently, the BGTL Code is structured in a different way from the other Codes. However, the other three existing Codes are very highly aligned. In particular, the NI TSOs have ensured that the text for the Code Modifications for the implementation of the EU Network Codes in October 2015 was as harmonised as possible. Consequently, all three existing Codes (i.e. except the BGTL Code) have a common form with the same numbering and section structures. There are some differences in the way in which certain items are defined, for example the PTL Code refers to ‘Premier Transmission’, whereas the GNI (UK) Code and the WTL Code refer to ‘the Transporter’. However, there are very few substantive differences between the PTL, GNI (UK) and WTL Codes.

2.4. The BGTL Code will be reviewed to ensure that any particular provisions that need to be incorporated into the Single Code are captured appropriately, however the CJV arrangement will largely supersede the arrangement between PTL and BGTL which facilitates the current format of the BGTL Code.

2.5. As a result, much of the approach to preparing the Single Code is simply to bring the existing WTL, PTL and GNI (UK) Code texts together, and there are only a very few areas where certain Codes have particular provisions for which a decision is needed as to whether to include that provision or not, and those areas are described in this document.

2.6. Therefore, it is important to note that the NI TSOs expect that the implementation of the Single Code should not, per se, have a significant impact on Shippers in terms of their day to day business processes.

2.7. It may be the case, as a result of the implementation of the Single IT System, that some minor changes to business processes may be easier to implement by amending the Code provisions than to require systems development for the Single IT System. It may also be the case that as the NI TSOs progress discussions on the CJV and their joint operations, that they conclude that it would be timely to update some features of the code (for example in relation to issues such as maintenance and measurement).

2.8. This document sets out, for each section of the Code, the NI TSOs current expectations of how the provisions in the existing codes will be brought together to form a Single Code, providing more detail where there are any known or potential changes to current processes.

2.9. Firstly, however, it sets out the contractual approach for the Single Code and then provides some overall observations on the production of the Single Code, and describes (in section 4.5) two new areas of content which will need to be incorporated, before proceeding to discuss each of the existing sections of the Code.
3. Contractual Form for the Single Code

3.1. Existing Contractual Form in Northern Ireland
At present, Shippers must sign up to each Code for each of the TSOs whose network they wish to utilise, and all Shippers must sign up to the PTL Transportation Code for the purposes of Balancing and Scheduling charges. As mentioned above, each of the Codes is extremely similar (though not completely identical) in terms of the operational provisions it contains. Each TSO therefore has their own ‘version’ of the Code, which forms its contract with its own customers. This is illustrated in the diagram below:

Existing Contractual Model

In order to ‘sign up’ to a Code, a prospective Shipper and the relevant TSO sign an Accession Agreement, which binds them both contractually to the terms of the relevant Code (they ‘accede’ to the Code).

3.2. How will this change: ‘Single System Operation’ Intentions?
The key intention behind the Single System Operator model is to provide a single interface for Shippers. The NI TSOs are preparing to enter a Contractual Joint Venture (CJV) to deliver the requirements of a Single System Operator model. The CJV will be staffed by personnel seconded from the ‘parent TSO’ companies, but it will not be a legal entity in its own right. Rather it is a vehicle for joint service delivery to Shippers.

As a consequence, the CJV will not be able to enter contracts in its own right. This means, in terms of the Single Code, that all the TSOs will be party to it. This is illustrated in the following diagram:

Contractual Model for the Single Code
However, given that the intention is to provide a single interface for Shippers, the proposed approach for the Single Code is to avoid referring to the specific TSOs as far as possible. How this will be accomplished is described further below.

3.3. **Contractual Implementation: Framework Agreement and Single Code**

The NI TSOs are planning to implement the new Single Code by introducing a Framework Agreement. All the existing parties who are Shippers under one or more of the existing NI Codes will be asked to sign the Framework Agreement, and each of the TSOs will also sign the Framework Agreement.

The Framework Agreement will simply set out that the parties all agree to utilise the terms of the Single Code. The Single Code, essentially the rules for gas transportation across the whole the NI Network, will be a separate document, containing the harmonised provisions created by bringing together all the existing NI Codes.

The Framework Agreement will also provide the legal means for all Shippers and TSOs to agree how to admit new Shippers after the date of signature of the Framework Agreement. It will state that all the initial signatories of the Framework Agreement give their permission for the CJV General Manager to 'sign up' new Shippers, on behalf of all the existing members (Shippers and TSOs) of the Framework Agreement.

Parties who wish to sign up as a Shipper after October 2017 will be asked to sign an Accession Agreement, joining them to the Framework Agreement and hence contractually binding them to the provisions of the Single Code along with all the other parties. The CJV General Manager will sign the Accession Agreement on behalf of all the parties.

Subject to approval of the Single Code legal text by the Utility Regulator, it is anticipated that the Framework Agreement will be signed by existing Shippers and the NI TSOs in the period July - early August 2017, and a 'Transition Section' of the Single Code (and similar/corresponding provisions to be added to the existing Codes to transition Shipper's existing rights into the new Code regime) will provide for the start date of relevant processes which must occur prior to the start of the new gas year, for example the placement of credit, as well as the arrangements for closing out the financial reconciliation process for the gas year ending September 2017. The main operational provisions of the Single Code will then be effective from 1st October 2017. Please see Appendix 1 for a diagram of indicative timescales.

3.4. **Single Interface - The Transporter**

Since a key objective of the Single Code is to provide a single interface for Shippers when interacting with the NI TSOs, it is expected that, although each TSO will separately sign the Framework Agreement, the NI TSOs will generally be referred to in the Single Code as a single unit – 'the Transporter'.

The NI TSOs will continue to be responsible for all their obligations to Shippers, and to the extent that it is necessary for the NI TSOs to specifically define between them how those responsibilities fall, those arrangements will be contained in the CJV Agreement and the System Operators Agreement (SOA). The issues arising from this arrangement are discussed in more detail in section 20 on liabilities.

3.5. **Shipper access to the NI Network**

The CJV team will be responsible for managing the process of 'signing up' new Shippers to the Single Code (signed off by the CJV General Manager as described above), and the CJV team will be responsible for maintaining the ongoing administration of the Single Code.
At present under the existing codes, in order to utilise a specific network entry or exit point and/or to trade at the Trading Point, a Shipper must first apply for and be given a Registration in respect of the relevant point by the relevant TSO.

Parties who are existing Shippers at the time of signing the new Framework Agreement will have their existing Registrations transitioned into the Single Code arrangement.

Under the Single Code, the requirement for Registrations will be maintained, meaning that to access points on the NI Network where a Shipper has not previously held a Registration, a Shipper will have to apply for a new Registration for the relevant point, and the CJV team will administer the process of providing a Registration.

3.6. **Role of Distribution Network Operators**

The Distribution Network Operators (DNOs) have a specific role in Northern Irish gas transmission, as required by their respective licences. They are responsible for booking and paying for transmission capacity at the exit points into the distribution networks. In turn the DNOs re-charge the costs of that capacity to their DN Shippers. However, DNOs do not make nominations or get allocations of gas under the Codes. Shippers supplying end users in the downstream Distribution Network nominate and are allocated gas flows at transmission exit points.

The implementation of the Single Code provides an opportunity to clarify the roles of the DNOs, and it is anticipated that either the Framework Agreement or the Single Code (or possibly both) will clarify the specific roles of DNOs in booking and paying for capacity, and make it clear how Shippers using DN exit points from the transmission network are utilising capacity which has been booked ‘on their behalf’ by the DNO. The documents may also specify that DNOs are otherwise not required to undertake most other activities under the Code, such as nominations and balancing activities.

Although the precise form of this clarification has yet to be determined it could, for example, take the form of a separate section or schedule of the Framework Agreement applying to DNOs only.
High Level Approach to the Single Code

4. General Observations

4.1. Approach to this Consultation
As mentioned above, the BGTL Code takes a different form from the other NI Codes. However, the PTL and GNI (UK) Codes take the same form as each other. The recently introduced WTL Code was based on the PTL Code, but omits provisions relating to the activities now performed only by PTL (e.g. energy balancing disbursements) in the same way that these are omitted from the GNI (UK) Code. The WTL Code is therefore already essentially a combination of the GNI (UK) Code and the PTL Code. As a result, the PTL, GNI (UK) and WTL Codes all have the same sections appearing in the same order, and very largely, contain the same provisions as between the TSO and the Shipper.

To prepare this consultation, the NI TSOs have compared the GNI (UK) Code and the PTL Code, line by line, to identify differences. This exercise has confirmed that there is very little substantive difference between the provisions of each Code. So where this document refers to ‘the difference’ between the Codes, it is generally referring to the difference between the GNI (UK) Code and the PTL Code, unless otherwise specified.

4.2. General differences appearing throughout the Codes
The PTL Code refers to Premier Transmission as the TSO, whereas the GNI (UK) Code and the WTL Code refers to the Transporter.

All the Codes refer to the entry and exit points on their systems by name, so these obviously differ across all the Codes.

For the Single Code, the NI TSOs intend to create a section which lists all the points on the NI Network – an ‘NI Network Points Definitions’ section, which shall also identify the relevant TSO at that point – i.e. on whose transmission system the point is located.

Thereafter in the Single Code, ‘the Transporter’ shall mean all the NI TSOs together, reflecting the intention to provide a single interface for Shippers as well the liability structure between the NI TSOs (see section 20).

4.3. Numbering
To date, when the Codes have been amended the NI TSOs have maintained the existing numbering conventions for consistency and to make it easier to compare between the Codes. For the Single Code, the NI TSOs intend to renumber the provisions from the start of the document and throughout, to help ease future administration and keep the numbering convention as simple as possible.

4.4. Areas for potential Change relative to existing Codes
In a small number of areas, there is the potential for changes to terms in the Single Code relative to the existing Codes as a result of the development of the Single IT System. Where this is the case, these areas are identified in the remaining sections on this document.
4.5. Potential New Content

a) Forecasting Party Arrangements – to be included in the Single Code
For the purposes of compliance with the Balancing Network Code (EU 312/2014) the NI TSOs are required to implement arrangements whereby certain forecast consumer demand information is provided to Shippers via the Transmission System Operator. This information is currently provided to Shippers by the relevant DNO to whose distribution network the consumer is connected.

In September 2015, the Utility Regulator published its decision designating PTL as the Forecasting Party for Northern Ireland. The NI TSOs are currently working towards implementing the requirements of the Balancing Network Code in the context of the CJV, and will provide more information on the details of the arrangements once these are further developed. The target date for implementation of the Forecasting Party requirements is October 2017, and so it is anticipated that the Single Code will contain certain provisions and obligations relating to the Forecasting Party requirements, probably in a separate section, although potentially included in the Nominations section.

b) CAM Incremental Capacity Rules – to be incorporated in the existing Codes in early 2017
An amendment to the CAM Network Code (EU 984/2013) (the ‘CAM Amendment’) is in the final stages of approval and formal adoption by the EU, and is expected to give rise to some further legislative requirements with an effective date of 1st April 2017. The CAM Amendment contains rules for Incremental Capacity (i.e. new-build capacity), including the assessment of market demand, a project design phase, and a capacity allocation phase which involves utilising either auctions or ‘an alternative’ capacity allocation mechanism. The first Market Demand Assessment will be required to be produced during 2017.

The CAM Amendment also contains some changes to the Auction Calendar, specifically;

- The Annual IP Capacity Auctions will move from March to July
- Additional Annual Quarterly Auctions to run through the gas year on a rolling basis, as follows:
  o First Quarterly Capacity Auction:
    ▪ Held on first Monday of August (Y-1), offering capacity for Q1 – Q4 for Y
  o Second Quarterly Capacity Auction:
    ▪ Held on first Monday of November (Y), offering capacity Q2 – Q4 for Y
  o Third Quarterly Capacity Auction:
    ▪ Held on first Monday of February (Y), offering capacity Q3 – Q4 for Y
  o Fourth Quarterly Capacity Auction:
    ▪ Held on first Monday of May (Y), offering capacity Q4 for Y

The NI TSOs currently anticipate that it will be necessary to incorporate the basic requirements of the CAM Amendment into the NI Network Codes in order to be compliant on time for 1st April 2017. Therefore, they plan to prepare and consult on Code Modifications to the existing Network Codes, as soon as possible in the new year.

The texts for the CAM Amendment will be prepared with the Single Code in mind, and, once approved, will also be incorporated into the drafting of the Single Code whilst it is being prepared.
4.6. **Structure of the remainder of this Document**
The remaining sections in this consultation document cover the Code provisions in the order in which the sections currently appear in the Codes, with the addition of a proposed new section between sections 7 and 8 of the Codes relating to Title Transfer. In each section, the paragraphs are structured to:

- give a brief reminder of the contents/purpose of the section,
- highlight the key differences (if any), and finally
- summarise how the NI TSOs intend to approach harmonising that section into the Single Code.

In addition, in sections 18 and 19 of this document, relating to charges and credit, there is a brief introduction explaining how the NI TSOs expect the processes to operate in the CJV context.


**Code Sections – Details of Each Section**

5. **Entry Capacity**

5.1. Section 1A sets out the rules for IP Entry Capacity and is very highly aligned across all the Codes since this section was introduced for October 2015.

5.2. The PTL Code contains rules for Linked Auctions at Moffat, (which deal with how auctions work when there is a potential for competition for capacity occurring at an IP). The GNI (UK) Code and WTL Codes do not includes these, as they do not apply for Gormanston and the WTL Network does not include an IP.

5.3. The Single Code will reflect all the existing rules and will include all the rules for Linked Auctions.

6. **Exit Capacity**

6.1. Section 1B sets out the rules for Exit Capacity, and is essentially identical across the Codes except:

   a) in section 1B.8 where the PTL and GNI (UK) Codes contain ‘opposite references’ to upstream and downstream transporters to facilitate co-ordination across BGEP 1 and BGEP 2; and

   b) at 1B.12, the PTL Code includes a clause which clarifies that the ratchet mechanism for PNG is calculated using the sum of PNG’s capacity bookings across BGEP1 and BGEP2.

6.2. The Single Code will contain all the existing rules for Exit Capacity, and eliminate the need for ‘opposite references’. It will also contain the PNG-specific clause about how the ratchet is calculated.

7. **Nominations**

7.1. The Nominations sections of the Codes describe how Shippers may make nominations for gas flow at each type of network point, and were also subject to a relatively high degree of change for October 2015 and so are also very highly aligned across the Codes.

7.2. The main differences are:

   a) PTL Code contains provisions for Trade Nominations, since these are currently administered by PTL only;

   b) PTL Code contains provisions for curtailment of Moffat Nominations in case of difficulties with developing an acceptable operational profile for the SWOS operator;

   c) PTL is a Matching TSO for Moffat, and GNI (UK) is an Initiating TSO for Gormanston, so the Codes reflect the rules accordingly applied by each;

   d) there are some differences where the names of the individual Exit Points are given, but no differences in the applicable processes.
7.3. The Single Code will contain all the rules for both Matching and Initiating TSO, and specify which applies for which IP.

7.4. The Single Code will contain the Trade Nominations rules. As a result of the implementation of the Single IT System, the NI TSOs have identified that significant savings in systems development costs can be achieved if the current approach to Trade Nominations is slightly modified.

Currently, where a Shipper wishes to make a change to the quantity that it has agreed to trade with a counterparty during the gas day, it simply makes an additional Trade Nomination for the additional quantity, or a trade in the opposite direction if the parties wish to reduce the quantity. As a result of the implementation of the Single IT System, the NI TSOs intend to introduce the capability for Shippers to instead make Trade Renominations, whereby counterparties wishing to amend the quantity traded on a day make a Trade Renomination, instead of new Trade Nomination. It will not be possible for Shippers to have more than one Trade per day with the same Counterparty.

The NI TSOs do not currently anticipate that the rules for submitting Trade Renominations will be substantially different to the rules for submitting Trade Nominations (i.e. partnering trades must be entered within 30 minutes), and the timescales for submission will be broadly similar. There will be some minor consequential changes to the way in which Trade Nominations are referred to elsewhere in the Code, in particular in the allocations section.

7.5. Differences arising from the use of point-specific names will be addressed by the addition of an NI Network Points Definitions section.

8. Allocations

8.1. The Allocations sections of the Codes describes how gas is allocated to Shippers at each type of network point, and was also re-drafted for October 2015, and so are also highly aligned.

8.2. Under the entry-exit arrangements, PTL carries out all the allocations for the aggregate allocation position for Shippers, as well as for Trade Allocations. Consequently, the main differences are:

   a) WTL and GNI (UK) Code contains additional phrases clarifying that PTL carries out aggregate allocations;

   b) there are specific references in both PTL and GNI (UK) Codes relating to charging and calculations for Lisburn Exit Point (which is connected to the GNI (UK) Network but treated as part of BGEP1 under the PTL Code).

8.3. The Single Code will eliminate the need to refer to PTL carrying out allocations, and will include all the rules for Aggregate Allocations and Trade Allocations. Differences for names of Exit Points and the treatment of Lisburn will also be dealt with in the NI Network Points Definitions section.
9. **Balancing and Scheduling Charges**

9.1. Section 4 of the Codes describes how Balancing and Scheduling Charges are calculated and was updated for October 2015 to reflect the introduction of an Entry-exit regime, where a Shipper’s Imbalance position is now assessed in aggregate across the whole NI network (as opposed to being calculated on an individual point-to-point basis). In order to operate the new arrangements, PTL took on responsibility for administering the provisions of section 4 for all the TSOs. Some slight changes were also made with the introduction of the WTL Code to improve clarity over PTL’s role, and to more fully describe the system clearing contract in the Code. The Code texts are therefore highly aligned.

9.2. The main differences are:

a) GNI (UK) Code and WTL Code specify that PTL performs the calculations for Balancing and Scheduling Charges, including calculations of tolerances as well as Unauthorised Flow Charges (though they still include the rules for how the calculations are to be done);

b) the system clearing contract is described in full in the PTL Code, whilst being briefly referred to in the other Codes.

9.3. The Single Code will contain all the rules for the calculations and the system clearing contract, and eliminate the need to refer to PTL activities specifically. The CJV will carry out all the activities required to be performed by ‘the Transporter’.

10. **Balancing and Shrinkage Gas**

10.1. Section 5 of the Codes has been updated this year to address the changes needed for the latest Balancing Tender and for compliance with Interim Measures requirements under the Balancing Network Code. Again, the texts are therefore highly aligned. Subject to approval of PTL Proposed Modification 40 and GNI (UK) Proposed Modification 25 and WTL Modification 2, the rules will now incorporate the necessary detail on how balancing contracts are to be tendered, and utilised by, the NI TSOs.

10.2. The only differences between the Codes in this section are some phrasing differences to clarify that PTL carries out the operation of the Disbursements Account.

10.3. The Single Code will eliminate the need to distinguish PTL’s role, as the CJV will carry out all the activities of the Transporter.

11. **Exceptional Events and Emergencies**

11.1. Section 6 of the Codes covers the process steps to be taken in Exceptional Events and Emergencies. In respect of the arrangements with Shippers in an Emergency, the Codes are all highly aligned, as they are required to be so, in the context of the Northern Ireland Network Emergency Co-ordinator (NINEC) arrangements and in accordance with the Safety Cases of the NI TSOs.

11.2. In respect of the arrangements for constraints/Exceptional Events there are some differences which are largely down to slightly differing definitions of the circumstances of a constraint. The basic processes to be followed by any of the TSOs in a constraint situation are the same, insofar as they would request Shippers to reduce their exit nominations, allow time for a response, and
thereafter the TSOs are permitted to issue a Flow Order, which is a mandatory amendment of Shippers nominations, in the event that there is insufficient response from Shippers.

11.3. The main differences between the Codes are:

a) GNI (UK) Code defines two constraint conditions, a Reduced Capacity Day and a Reduced Profile Day, whereas the PTL and the WTL Codes refer to a D-1 Predicted Capacity Shortfall and a Day D Capacity Shortfall;

b) the PTL Code contains references to the steps which it takes to request SONI to re-dispatch power stations, and the default ‘flip flop’ rules which it would apply in the unlikely event that SONI did not take action, but these rules do not feature in the Codes of the other TSOs since it is PTL that has the working arrangement with SONI.

11.4. Looking in more detail at the definitions of constraints, the NI TSOs have concluded that in order to harmonise and combine the definitions used in all the Codes and cover all the potential constraint scenarios, it would be appropriate to define two basic circumstances of constraint as follows:

1) where the system capability is the same as usual but Shippers have requested a profile or nominated an End of Day Quantity which exceeds the capability of the system; and

2) where the system capability is reduced for some reason (e.g. a linebreak, or corrosion on a line) which leads to either
   i. a NI-wide constraint,
   ii. a localised constraint.

11.5. The Single Code text would therefore contain new constraint definitions along these lines.

11.6. In all cases, the process steps for dealing with the constraint would be the same as they are now, in terms of requesting downward renominations, and issuing Flow Orders if the response is insufficient (or if there is insufficient time to allow Shippers to respond independently).

11.7. The NI TSOs also consider that for a NI-wide constraint:

a) the step of requesting SONI to re-dispatch should always be the first step where a reduction in power station usage would be operationally beneficial; and

b) the use of the ‘flip flop’ should be the default in all NI-wide constraint circumstances, in the unlikely event that SONI does not respond to a request to re-dispatch.

11.8. The Single Code text would therefore incorporate these steps in all NI-wide constraint circumstances.

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1 The ‘flip flop’ rules set out how the power stations would be required to ‘take turns’ to have their offtakes reduced, should SONI fail to direct a re-dispatch

2 The first is based on the current PTL definition, and the second is based primarily on the GNI (UK) definition, though this also is covered in the scope of the PTL definition.
12. **Entry Requirements**

12.1. Section 7 of the Codes sets out the legal basis for delivery of gas to the NI Network (i.e. in a homogeneous stream), that gas must meet the relevant specification, what happens when ‘off-spec’ gas enters the NI Network and it also deals the transfer of title between the Shipper and the TSO as the gas enters the NI Network.

12.2. The differences in the Codes are, in summary:

a) minor differences in the way in which entry points and other parties who are not Code signatories are referred to;

b) the PTL Code and the WTL Code make it clear that the provisions in the section do not give rise to any Shipper rights to have plant connected;

c) the GNI (UK) Code excludes any activity by an upstream operator as having any relevance;

d) costs associated with off-spec gas have different licence treatment for PTL and GNI (UK);

e) differences in the way in which the Codes describe the liabilities and indemnities, associated with Title Transfer, though the substantive effect is the same.

12.3. The NI TSOs propose to:

a) harmonise/combine the terms and definitions so the various differences in terms of the way in which the texts are drafted will no longer be relevant;

b) refer generically in the Single Code to the costs being dealt with under the terms of the Transporter’s licences (NB: the division of such costs as between the TSOs will be dealt with in the CJV Agreement);

c) combine and align definitions and references to liabilities and indemnities with the overall context for liabilities under the CJV (see section 20).

d) develop a short new section of the Single Code in relation to Title Transfer, setting out how title is treated in the CJV context. See section 13 below.

13. **Title Transfer in the CJV Context**

13.1. ‘Title transfer’ describes how the ownership of gas is transferred from the Shipper to the TSO as it enters the NI Network, and at exit, it is transferred from the TSO back to the Shipper.

13.2. Currently Title Transfer at entry to an individual TSO’s system is dealt with in section 7 of their respective Code, and Title Transfer at exit is dealt with in section 8.

13.3. In the context of a Single Code relating to the NI Network which has multiple operators, it is necessary to also describe how title is transferred within the NI Network at the points where the TSO’s systems physically connect with each other.
13.4. There is no exchange of title to gas directly between the TSOs, since the TSOs do not get involved in buying/selling the gas between themselves. Instead, wherever there is a physical connection, the title to the gas will be deemed to transfer from the TSO whose system the gas is leaving to the Shipper, and then transfer from the Shipper to the next TSO whose system the gas is entering.

13.5. For the Single Code, the NI TSOs consider that it would be tidy to create a short new section containing the provisions for Title Transfer at entry to the NI Network and exit from the NI Network, along with provisions which describe the deemed transfer of title within the NI Network at the ‘internal’ points where the TSOs respective systems connect with each other.

13.6. Whilst it is important that the Title Transfer arrangements are accurately described for legal purposes, these changes will not have any material impact on Shippers.

14. Exit Requirements

14.1. Section 8 of the Code sets out operational/physical provisions for taking gas out of the NI Network including offtake pressure requirements, arrangements for requesting and receiving enhanced pressure, gas specification obligations and associated liabilities, rules for offtake for compressors and rules permitting the TSOs to suspend offtake in certain circumstances. It also provides Shippers with rights to access connected facilities, arrangements for maintaining compatibility between a TSOs system and a connected facility, and Title Transfer at exit.

14.2. The differences in the Codes are, in summary:

a) the PTL Code explicitly excludes Virtual Reverse Flow from the physical provisions of the section;

b) the GNI (UK) Code contains additional provisions concerning the right of the TSO to disconnect, and concerning metering at each Exit Point, as well as obligations on Shippers at a Shared Exit Point to co-operate with each other;

c) the GNI (UK) Code refers to an Exit Parameter Schedule for the details of permitted offtake pressure etc, whereas the PTL Code includes these details in the Appendix of the Code for each Exit Point;

d) the GNI (UK) Code uses certain definitions (e.g. Applicable Conditions) which the PTL Code does not, though the substantive meaning of the relevant provisions is the same;

e) the PTL Code and the GNI (UK) Codes use slightly different formats for the calculation of Enhanced Pressure charges (GNI (UK) Code provides explicitly for multiple shippers where PTL and WTL Codes assume a single shipper);

f) PTL/WTL and GNI (UK) Codes all permit the TSOs the right to take steps to secure a reduction in the offtake rate, but in the GNI (UK) Code this is limited to the situation where the Shipper is not bringing in sufficient gas;
g) the PTL Code contains an additional provision obliging it to require the maximum pressure available under the Transportation Agreement; 3

h) the GNI (UK) Code clarifies that where pressure conditions are not met, this does not constitute ‘off-spec’ gas;

i) the GNI (UK) Code obligation to make gas available at the correct specification is dependent on receipt of gas of correct specification, where the PTL Code does not explicitly state this;

f) costs associated with off-spec gas have different licence treatment for PTL and GNI (UK);

g) differences in the way in which the Codes describe the liabilities and indemnities, associated with Title Transfer, though the substantive effect is the same;

h) the PTL Code contains some references to BGEP 2 and 3 which will be redundant in the Single Code context;

14.3. This section of the Codes requires slightly more development than others to accomplish a harmonised Single Code text, but the issues are primarily associated with harmonising drafting differences rather than making substantive changes to the provisions.

14.4. The NI TSOs propose:

a) where one Code contains a provision that the other does not, to take the approach of combining all the provisions into the Single Code, with the exception of the limitation in the GNI (UK) Code concerning securing a reduction in the rate of offtake, which it is not proposed to include;

b) to refer generically to the treatment of costs (NB: the division of any costs as between the NI TSOs will be dealt with in the CJV Agreement);

c) combine and align definitions and references to liabilities and indemnities with the overall context for liabilities under the CJV (see section 20);

d) develop a short new section of the Single Code in relation to Title Transfer, setting out how title is treated in the CJV context. See section 13 above.

3 The Transportation Agreement is the agreement between PTL and GNI (UK) in its role as operator of the SWOS and deals with the transportation arrangements between the TSOs for gas between Moffat and Twynholm.
15. **Measurement and Testing**

15.1. Section 9 of the Codes describes how the quantities of gas entering and exiting a TSO’s system are determined (e.g. under an OBA at an IP, or by metering at an Exit Point). It also includes provisions for the adjustment of such quantities, validation of measurement equipment and adjustment of charges, where applicable.

15.2. The main Code differences are:

   a) differences in definitions since the Exit Points are identified individually;

   b) differences in terminology when referring to parties that are not Code signatories;

   c) certain differences in phrasing concerning Shippers rights to access meters and meter validation, though the provisions have the same substantive effects;

   d) the GNI(UK) Code clarifies that the TSO may charge for Additional Exit Point Information if it incurs costs in providing it, where this is not explicit in the PTL Code;

   e) certain ‘Code specific’ provisions relating to Lisburn, BGEP 2 and 3 in each of PTL and GNI (UK)s Codes.

15.3. The NI TSOs propose:

   a) harmonising definitions, terminology and phrasing, and removal of redundant terms where these are no longer needed in the Single Code context;

   b) inclusion of the provision allowing the TSOs to charge for Additional Exit Point information where costs are incurred in obtaining it.

16. **Maintenance**

16.1. Section 10 of the Codes deals with arrangements for maintenance, including how many maintenance days are to be provided for at each NI Network point. The texts are very closely aligned.

16.2. The main difference is that the PTL Code sets out the maintenance days for each of its points in the Appendix, whereas the GNI (UK) Code refers to other documents and agreements.

16.3. The NI TSOs propose to harmonise these arrangements by incorporating the basic number of maintenance days at all points into an Appendix, whilst including appropriate provisions to ensure that these may be varied where it is operationally necessary/appropriate.

17. **Shipper Information Forecasts and the Ten Year Statement**

17.1. Section 11 of the Codes deals with the obligations on Shippers to provide certain forecast information and obligations on the TSOs to provide certain information to the Utility Regulator, and to publish a Ten Year Statement.
17.2. The drafting in this section of the Codes is already essentially common, with the only differences being the name for the TSO. This will be resolved by using 'the Transporter' to refer to all of the NI TSOs together.

18. Charges, Payment and Tax

18.1. Operational Arrangements for Invoicing and Payments

The current arrangements for invoicing for Transmission Charges operate as illustrated in the diagram below. The NI TSOs individually invoice their respective Shippers, and the Postalised System Administrator (PSA) operates a trustee bank account into which Shippers’ payments are made. The PSA is responsible for calculating and distributing monthly allowed revenue payments to the NI TSOs.

Under the CJV and Single IT System arrangement, the NI TSOs anticipate that the invoicing arrangements will be simplified as illustrated below. The CJV will operate the banking arrangements on behalf of all the TSOs and will also take over responsibility from the PSA for distributing allowed revenues to the NI TSO’s. Code Charges (e.g. Imbalance and Scheduling Charges) will be managed using a single account as they are at present. In the context of the CJV, this may also be a trustee account.
18.2. Section 12 of the Codes deals with the obligations on Shippers to pay, how charges are determined, arrangements for invoicing, payment and the application of taxes. It also covers the operation of the Incentive Scheme Bank Account which the TSOs would use to administer any charges/payments associated with capacity sold or bought back via the Congestion Management Procedures. The texts were substantially updated for October 2015 and so are very highly aligned throughout. Although there are operational changes anticipated as described above, the TSO’s are not anticipating any changes to the existing processes for Shippers so the basic requirements set out in Section 12 will not be changing.

18.3. The main differences between the Codes in Section 12 are:

a) only the PTL Code contains the details of PS Code Charges (energy balancing charges) since these are now administered by PTL on behalf of all the NI TSOs;

b) the PTL Code contains specific provisions concerning BGEP 2 and 3 which will no longer be required.

18.4. The NI TSOs propose to produce the Single Code text by simply combining the texts and including the provisions for PS Code Charges which will now be administered by the CJV on behalf of all the NI TSOs. The details for the CJV banking arrangements will replace the existing ones.

19. Credit

19.1. Operational Arrangements for Credit

Currently each Shipper must place the relevant credit with each TSO whose network points it uses. The NI TSOs anticipate that the CJV will administer the credit arrangements for all the NI TSOs, holding deposits (where applicable) in trustee accounts and managing Letter of Credit arrangements. The diagrams below illustrate the NI TSOs current expectations of how the basic transactions will operate, for placing initial security (where Shippers place deposits) and for drawing on credit support, should that be required.
19.2. Section 13 of the Codes contains the credit obligations for Shippers and the NI TSOs, and the process steps which the NI TSOs must go through when calculating credit requirements, drawing on credit and otherwise operating the provisions of the NI credit arrangements. The texts were substantially updated for October 2015 and so, again, are very highly aligned throughout.

19.3. The main difference between the Codes in Section 13 is that only the PTL Code contains the details of credit requirements for PS Code Charges (energy balancing charges) since these are now administered by PTL on behalf of all the NI TSOs.

19.4. The NI TSOs propose to produce the Single Code text by combining the texts including all the provisions relating to credit for PS Code Charges, which will now be administered by the CJV on behalf of all the NI TSOs.

20. Liabilities and Indemnities

20.1. Section 14 of the Codes contains particular provisions for liabilities and indemnities under the Codes. They are already highly aligned in terms of drafting, however there are some changes arising as a result of the CJV context.

20.2. The Codes take the approach of specifying the liabilities associated with certain issues, using a formula to set the value and/or capping the amounts which would be payable in the case of a party being found liable.

20.3. The particular items for which liability levels are prescribed are:

   a) failure by the TSO to deliver the quantity nominated by the Shipper at an Exit Point, with liability amounts specified in a formula;

   b) shrinkage gas arising through negligence or wilful misconduct, with liability amounts specified in a formula;

   c) ‘other breach’ of the Code provisions by the TSO, with an annual cap formula; and

   d) ‘aggregate liability’ to all Shippers, where the liabilities are capped at a certain level related to the revenue of the TSO.

20.4. Other provisions in this section set the context for the determination or payment of liabilities, for example describing the circumstances in which liability would be applicable and setting other relevant criteria.

20.5. There are also provisions for indemnities, where the TSO indemnifies Shippers and the Shippers indemnify the TSO for certain purposes.

20.6. The NI TSOs are not proposing any material changes to the structure for liabilities or indemnities under the Codes. However, in the CJV context, the ‘Transporter’ in the Code will be all of the TSOs together, so it is necessary to consider how the liabilities and indemnities operate as between the parties.
20.7. As described above, all the NI TSOs will be parties to the Framework Agreement and will be jointly participating in the provision of the Transporter’s obligations under the Single Code, via the CJV. The NI TSOs anticipate that the CJV agreement and the Framework Agreement will set out that the NI TSOs have ‘joint and several’ liability to the Shippers under the Single Code. This is illustrated in the diagram below:

![Diagram showing joint and several liability]

20.8. This means that where a Shipper brings a claim against ‘the Transporter’ it will effectively be a claim against all of the NI TSOs together, and where applicable, the CJV team will make arrangements for any appropriate payments. Where the formula for a liability or a cap refers to a proportion of the TSO’s allowed revenue, the NI TSOs are proposing that this would refer to the average of the NI TSOs allowed revenue.

20.9. It will then be for the NI TSOs to make arrangements between themselves in the CJV Agreement describing how (the costs of) their joint liabilities under the Codes would be treated, should they ever be incurred. Essentially the NI TSOs will ‘back off’ their joint liability obligations in the Single Code through specific provisions in the CJV Agreement.

20.10. In the event of a breach of the Code (under section 20.3c) above), since the CJV staff will be acting on behalf of all the NI TSOs it may not be possible to identify which TSO should be responsible for associated costs. In such cases, it is expected that the CJV agreement will specify a basis for cost-sharing between the NI TSOs.

20.11. Where it is readily apparent which NI TSO is at fault, then the CJV agreement may provide for that TSO to be responsible for the costs. For this reason, it may be the case that the liability for ‘Failure to Deliver’ would remain the responsibility of the TSO at the Exit Point concerned. However, at present this is the only provision for which the NI TSOs consider this approach to be potentially applicable.

20.12. Further progress is required on the CJV Agreement to finalise the details of the proposed approach, but at present the NI TSOs anticipate that the Single Code will simply refer to the Transporter being liable and offering the indemnities provided under the existing Codes. ‘The Transporter’ will mean all the NI TSOs together acting under the CJV, with the possible exception of the liability for Failure to Deliver which may be treated differently. Therefore, the NI TSOs anticipate that the introduction of the Single Code and the CJV arrangement should not have a material impact on Shippers rights and obligations under this section.

20.13. The NI TSOs also expect to add some material to the Single Code to clarify how a Shipper would actually bring a claim against ‘the Transporter’, i.e. all of the NI TSOs together.
21. **Force Majeure**

21.1. Section 15 of the Codes describes Force Majeure events and the consequences of them (essentially that Shippers and TSOs are relieved from certain Code obligations).

21.2. There are some minor differences in drafting in terms of the definition of Force Majeure and differences in phrasing of the processes for reporting Force Majeure and on resumption of obligations.

21.3. The NI TSOs propose to combine and harmonise the drafting to form the Single Code provisions, and will also review for completeness in the Single Code context. However, no material changes are anticipated.

22. **Termination**

22.1. Section 16 of the Codes contains provisions for the termination of the transportation contract, by the TSO or by either party for breach or in certain other circumstances. It also sets out the consequences of termination including the return of capacity to the market.

22.2. The drafting of the Codes is almost identical, with the only differences being related to PTL operating the energy balancing disbursements account on behalf of all the NI TSOs. The WTL Code omits provisions relating to IPs.

22.3. The Single Code will contain all the existing provisions, and eliminate the need for different provisions for PTL since the CJV will operate the disbursements account for all Shippers.

23. **Accession, Registration and Retirement**

23.1. Section 17 of the Codes describes all the process steps and conditions associated with becoming a Shipper, registering to use network points, and a Shipper voluntarily retiring from the Code. These sections were revised during 2015 and so are very highly aligned.

23.2. The drafting is nearly identical, with the only differences being related to PTL operating the energy balancing disbursement account along with trading at the Trading Point. The WTL Code omits provisions relating to IPs.

23.3. The Single Code will contain all the existing provisions and eliminate the need for different provisions for PTL since the CJV will operate the disbursements account for all Shippers.

24. **Confidentiality**

24.1. Section 18 of the Codes contains obligations on the parties to the Code to maintain information confidentiality.

24.2. The drafting is nearly identical, the main difference being that the GNI (UK) Code refers to Ancilliary Agreements and Connected System Agreements whereas in the PTL Code and WTL Code these are covered within other definitions.
24.3. The Single Code will harmonise the definitions to include all the relevant agreements, and it will 
contain all the existing rules. The NI TSOs will also consider whether any new provisions are 
appropriate in the CJV context, however, no material changes are anticipated.

25. General

25.1. Section 19 of the Codes contains a miscellaneous collection of ‘legal boilerplate’ provisions, as 
well as sections relating to the use of the respective TSOs IT system.

25.2. The drafting is nearly identical, with the main differences being the names of the IT systems.

25.3. The NI TSOs propose to harmonise the terms to produce the Single Code, and will consider 
and develop any additional requirements of the type contained in this section arising from the CJV 
context.

26. Governing Law and Dispute Resolution

26.1. Section 20 of the Codes describes how disputes may be resolved, and the relevant Governing 
Law under which the Code contract is governed.

26.2. The main difference is that the PTL Code and the WTL Codes are currently governed under 
English Law, whereas the GNI (UK) Code is governed under Northern Irish Law.

26.3. The NI TSOs propose that the Single Code should be governed under Northern Irish Law.

27. Appendices: Credit Committee Terms of Reference

27.1. The Codes contain two Appendices concerned with the Credit Committee, i.e. its terms of 
reference, and templates for Letters of Credit and other forms of Guarantee. These were 
reviewed in detail for October 2015 and so are largely highly harmonised already.

27.2. One issue arising is how the Credit Committee will operate in the CJV context. The credit 
committee is a committee made up primarily of Shippers since it acts to protect the Shippers from 
their credit exposure to each other in the Northern Irish regime. Each of the Codes refers to the 
chair of the Credit Committee, and should it be necessary to call the Committee into action in the 
event of a credit breach, a representative of the NI TSO with the unpaid bills would currently act 
as the Committee Chair.

27.3. The NI TSOs propose that the role of Committee Chair would now be taken by the General 
Manager of the CJV or his/her representative, and would continue to be a non-voting role (other 
than as is currently prescribed in the Codes). No other changes to the rules of the Credit 
Committee are anticipated.
28. **Consultation Questions**

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

i) the suggested contractual form of the Single Code (section 3);
ii) the proposed approach for implementation via a Framework Agreement (section 3.3);
iii) the proposed approach of a new section for NI Network Point definitions (section 4.2);
iv) the plans for introducing Forecasting Party requirements (section 4.5.1);
v) the plans for implementing CAM Amendment requirements (section 4.5.2);
vi) the proposal to introduce Trade Renominations (section 7.4);

vii) the proposed approach to combining the definitions of Constraints (section 11.4);

viii) the proposed approach of a new section relating to Title Transfer (section 13);
ix) the proposed approach to Charging, Payments and Tax (section 18);

x) the proposed approach to Credit (section 19);

xi) the proposed approach to Liabilities (section 20);

xii) the proposition that the Single Code should be governed under Northern Irish Law (section 26.3);

xiii) the proposition that the CJV General Manager should, where necessary, take the role of Chair of the Credit Committee (section 27.3);

xiv) any other concerns or queries that interested parties may have.

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

29. **How to Respond**

Shippers wishing to respond to this document are requested to provide their views on or by 5th December. Responses may be made in writing or by email, or directly to the TSOs.

Written responses should be provided to:

Stephen English  
Stephen.English@mutual-energy.com  
Premier Transmission Limited  
1st Floor  
The Arena Building  
85 Ormeau Road  
Belfast  
BT7 1SH

Andrew Kelly  
Andrew.Kelly@gasnetworks.ie  
GNI (UK) c/o Gas Networks Ireland  
Gasworks Road  
Cork
Appendix 1: Indicative Timelines

The following diagram shows indicative timescales for the development and implementation of the Single Code during 2017, subject to approval by the Utility Regulator.