

Summary of Consultation Responses

Northern Ireland Single Gas Transmission Code High Level Approach Consultation

Version 1.0

22nd December 2016

premier
TRANSMISSION

belfast gas
TRANSMISSION

west
TRANSMISSION

 **GNI** (UK)
Ltd.

| Matter/Subject | Respondent | Comments | TSOs Response |
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| Single Code – Overall Approach | BGT | BGT support the development of a single harmonised gas transmission code for NI and the anticipated reduction in operational costs going forwards. | The TSOs welcome this support. |
| Single Code – Contractual Framework | PNGL | PNGL believes that the use of a Framework Agreement to assign the accession process responsibilities to the Single System Operator would seem to be a reasonable approach. | The TSOs welcome this support. |
| | PNGL | PNGL noted that as discussed at the industry forum the Framework Agreement will create contractual arrangements between Shippers including DNOs and TSOs who they would not have previously contracted with. PNGL therefore believe that it would be useful for Shippers to have sight of the legal text of a draft Framework Agreement to allow a proper legal review to be undertaken by Shippers. | The TSOs are planning to consult on the draft Framework Agreement in conjunction with the Single Code legal text in April 2017. |
| | ESB GWM | ESB GWM noted that further information regarding the implications of not being a legal entity in its own right would be welcomed and asked if there are any unintended consequences in forming a CJV on gas transportation agreements that are already in place between a Transporter and a Shipper. | The approach to develop a Contractual Joint Venture as opposed to setting up a new legal entity has been carefully considered by the TSOs, who believe it is the most effective model to deliver the Single System Operator (SSO). A similar approach was used in the Single Electricity Market design, where at the time Eirgrid and SONI created a CJV for the market operator, SEMO. The TSOs are not aware of any unintended consequences in forming a CJV on gas transportation agreements that are already in place between a Transporter and a Shipper and the general plan would be to migrate existing transportation agreements into the new CJV design without any fundamental changes. |

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| | ESB GWM | ESB GWM asked what process will occur in the event that indemnification or breaches of the new proposed Code occur. | <p>The 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.</p> <p>The TSOs anticipate that the CJV agreement and the Framework Agreement will set out that the TSOs have ‘joint and several’ liability to the Shippers under the Single Code</p> <p>This means that where a Shipper brings a claim against ‘the Transporter’ it will effectively be a claim against all of the TSOs together, and where applicable, the CJV team will make arrangements for any appropriate payments.</p> <p>It will be for the 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 TSOs will ‘back off’ their joint liability obligations in the Single Code through specific provisions in the CJV Agreement.</p> <p>In the event of a breach of the Code since the CJV staff will be acting on behalf of all the 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 in such circumstances between the TSOs.</p> |

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| | ESB GWM | ESB GWM asked if there will be any impact on the Price Control process for each TSO? | <p>Where it is readily apparent which 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.</p> <p>Further progress is required on the CJV Agreement to finalise the details of the proposed approach, but the 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.</p> <p>The TSOs also expect to add some material to the Single Code to clarify the process steps for how a Shipper would actually bring a claim against 'the Transporter', i.e. all of the TSOs together.</p> <p>Shippers will have an opportunity to comment on this section during the legal text consultation.</p> <p>Yes, there will be separate sections of the respective Price Controls which relate to SSO activities.</p> |
| Single Code - NI Network Point definitions | ESB GWM | ESB GWM noted that the listing of all points on the NI Network seems reasonable but ESB GWM would like to see a proposal of NI Network Point definition before its' final comment on this matter. | The proposed definition will feature in the legal text consultation planned for April 2017. |

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| Single Code – CAM Amendment | ESB GWM | ESB GWM feels it is vitally important that a CAM Amendments workshop and consultation takes place immediately to inform Shippers of any new requirements that a CAM Amendment will impose. | The TSOs will shortly consult on changes to the PTL and GNI(UK) Transportation Codes. The TSOs are happy to expand on the information presented at the workshop on 26 th November at a future workshop. | | | | | | |
| Single Code – Trade Renominations | <p>BGT</p> <p>ESB GWM</p> | <p>BGT support the introduction of trade renomination processes.</p> <p>ESB GWM would welcome clarification regarding the statement that it would not be possible for Shippers to have more than one Trade per day with the same Counterparty.</p> | <p>The TSOs welcome this support.</p> <p>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.</p> <p>Example: Shipper A trades 100kWh with Shipper B then trades an additional 50kWh bringing the total to 150kWh. This process involves two discrete trades.</p> <table border="0" data-bbox="1424 898 1823 995"> <tr> <td>Trade Nomination 1:</td> <td>100kWh</td> </tr> <tr> <td>Trade Nomination 2:</td> <td>50kWh</td> </tr> <tr> <td>Total:</td> <td>150kWh</td> </tr> </table> <p>As a result of the implementation of the Single IT System, the 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.</p> <p>Shipper A trades 100kWh with Shipper B then trades an additional 50kWh bringing the total to 150kWh.</p> | Trade Nomination 1: | 100kWh | Trade Nomination 2: | 50kWh | Total: | 150kWh |
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| | | <p>PNGL would welcome early discussions on this area to determine impact.</p> | <p>parent TSOs. There may be a minor role for the CJV to play which will be clarified in the coming months.</p> <p>The TSOs plan to discuss this matter in more detail with PNGL in their role as NINEC.</p> |
| <p>Single Code – Exit Capacity Transfers</p> | <p>AES</p> | <p>AES states its disappointment that the opportunity is not been taken to amend the provisions relating to Exit Capacity to introduce secondary products and to allow for transfer of Exit Capacity between NI Exit Points.</p> | <p>The Utility Regulator is currently considering this matter and the TSOs will determine if any changes are required to the development of the Single Code based on the Utility Regulator’s decision.</p> |
| <p>Single Code – Charging</p> | <p>ESB GWM</p> | <p>ESB asked whether in relation to charging, payments and tax, will a new entity be set up for transmission charges, and Code charges such as Imbalance and Scheduling charges and are there any implication to the way charges are calculated with the establishment of a CJV?</p> | <p>A separate entity will not be set up to issue invoices. The TSOs believe that it is possible for the CJV to issue an invoice on behalf of all the TSOs and are currently investigating the mechanics of such service. Ideally most Shippers will see a reduction in the number of invoices they receive.</p> <p>There will be no changes to how charges are calculated.</p> |
| <p>Single Code - Governance</p> | <p>BGT</p> | <p>BGT stated that it would be useful to understand the interaction between the single code and code governance and how the rules can be modified effectively going forwards.</p> | <p>In conjunction with development of the Single Code legal text, modification rules shall also be developed and consulted on. The starting point for the modification rules will be the current rules (which are already highly aligned). However, it is anticipated that there will be some changes to ensure appropriateness with SSO arrangements.</p> |

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| SSO – TSO / DSO Agreements | PNGL | <p>PGNL noted that there currently exists an agreement between PGNL and BGTL which was considered necessary to facilitate a co-ordinated, efficient and economical operation of the interface between the TSO and DNO networks. The existence of such an agreement is a requirement of a DNO Licence and therefore PGNL would welcome discussions with the NI TSOs to understand how the essential operational requirements of this agreement can be accommodated under Single System operation.</p> | <p>The TSOs do not foresee any significant impacts on the existing TSO-DSO agreements however agree that it is important for the relevant parties to meet and discuss the impact of the SSO.</p> |
| SSO – System Development | PNGL | <p>PNGL noted that it was not clear from the industry workshop if the GTMS (NI) system is a standalone system for sole use by NI or a module of the GTMS (RoI) system. If the latter applies PGNL believe that the NI gas industry needs to be informed of how future development costs will be allocated. PGNL would argue that NI should only be expected to contribute to development costs which are required for NI and where the NI gas market will receive direct benefits. NI gas consumers should not be expected to incur higher transmission network costs which benefit the RoI gas regime only.</p> | <p>GTMS (NI) will be for the sole use of NI operations and administered by the CJV team. To reduce costs to Shippers, GTMS (NI) will use a shared infrastructure with GTMS(RoI), however the system will be separate with a separate change control process.</p> <p>Any specific changes progressed in the RoI GTMS module but not in the NI module will have no financial nor operational impact on the NI regime. However, it should be noted that in contrast to the current arrangements, should there be further EU obligations which require systemisation in both NI and RoI there may be efficiencies and cost savings that Shippers could benefit from in the respective markets due to there being the same service provider for both regimes. But even in this scenario, there will be specific stand-alone costs allocated accordingly to the NI CJV system module and separately to the RoI module.</p> <p>An operational budget for GTMS(NI) will be approved by the Utility Regulator as will any budget for future development.</p> |

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| | BGT | BGT requests timely user training and interface testing. | The TSOs will provide further information about the plans regarding testing and training as soon as possible. The TSO's fully recognise the need for a comprehensive training plan for shippers as the market migrates to a new system. |
| SSO – Budget / Costs | <p>BGT</p> <p>AES</p> <p>ESB GWM</p> | <p>BGT would appreciate some transparency in terms of the budget for the project, noting that ultimately it is the Shippers who are funding this development.</p> <p>BGT also ask for some transparency from the CJV project in terms of the forecast operational (and hence transportation charge) savings and when the market will realise such savings.</p> <p>AES raised a general concern at the lack of a CBA in relation to the CJV project as a whole. In particular, they are somewhat alarmed to learn that the CJV team is likely to be at least 8 persons whereas in the outline design information a figure of 4 persons was indicated. AES believes that it is highly likely that any efficiency savings from adoption of a single code and single IT system etc. will be outweighed by the operational costs of the CJV and therefor this project will be a net cost to system users and ultimately end customers.</p> <p>ESB GWM believe there are a number of issues with could use further clarification such as the cost impact of the establishment of the CJV.</p> | <p>The response below addresses the comments made by the 3 respondents:</p> <p>Firstly, on the CBA, we would refer industry to the price control determination issued by UR on Friday, 16th December which provides a high-level CBA for the new CJV market design.</p> <p>It is envisaged that there will be significant savings going forward by maintaining and developing one IT system instead of two. There will also be savings created by administering one network code as opposed to four.</p> <p>Costs for the CJV will be outlined in the TSO's Price Control documents published by the Utility Regulator.</p> <p>The Transmission regime has changed in the last five years with the day to day operation of the network becoming significantly more complex, with the increase in the number of Shippers and the processes introduced for Entry / Exit and to meet EU Network Code obligations. For the CJV team to deliver the service required by Shippers and to meet all of the obligations as well as upcoming changes it is important the CJV team is resourced appropriately. A lack of resources will have a detrimental impact on the service offered to Shippers and place a risk on future market</p> |

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| | | | development and compliance which the TSOs do not believe is acceptable. |
| SSO – Single Team | BGT | BGT asked whether the CJV will be responsible for operational ownership and manage issues centrally and assume so for efficiency purposes. | The creation of the CJV team will result a number of efficiencies in managing Shipper interactions for example invoicing, code modifications and managements the IT system. |
| SSO – I-SEM | ESB GWM ESB GWM | <p>ESB GWM note that interoperability between the gas and electricity markets is necessary and must be acknowledged by the TSOs to ensure an efficient market which best benefits the final customers of each market.</p> <p>Given that the CJV consultation plans to undertake Code Modifications over 2017, we feel that is a necessity that the Code Modifications process include engagement with industry to assess what is required from the CJV to ensure it is fit for purpose with the introduction of I-SEM in 2018. There is a risk that the CJV design is inefficient and would impose further future costs on customers if I-SEM is not incorporated into its design.</p> | <p>The TSOs agree that interoperability between the gas and electricity markets is necessary.</p> <p>The planned Single Code consultation is for the purpose of harmonising the existing Transportation Codes and not the overall design of the CJV.</p> <p>Whilst the TSOs acknowledge the importance of I-SEM, the TSOs request more detail on what ESB GWM believe is required for the CJV to be considered “fit for purpose with the introduction of I-SEM”. The TSOs would be keen to understand where ESB GWM foresee inefficiencies in the CJV design and why future costs could be imposed on customers.</p> <p>To confirm, the general plan on the Single Code is to generally retain existing code provisions and market processes, but in the context of one harmonised code.</p> |

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| Transportation Agreement | BGT | BGT suggest that it would seem appropriate to also review the PTL/GNI(UK) OV2 agreement which would provide an ideal opportunity to improve the renomination and constraint issues experienced in the market. | PTL and GNI(UK) are currently in discussions about the Transportation Agreement and a review of OV2 is planned. |