

26th March 2007

Transportation Network Code Proposed Modification 4

Final Modification Report

1. Introduction

BGE(NI)¹ (“The Transporter”) has prepared this report in accordance with Section 9 of the BGE(Northern Ireland) Transportation Network Code Modification Rules.

BGE(NI) issued an Initial Modification Report and Code Mod on Fri 2 Feb 07. Formal consultation process on the Code Mod began on Fri 2 Feb 07 and finished on 2nd March 2007.

This Final Modification Report has been compiled in respect of the initial proposed modification.

2. Proposed Modification

This proposed modification is to amend various sections of the BGE(Northern Ireland) Transportation Network Code including to;

- Facilitate the introduction of a single balancing zone on the Postalised Network
- Facilitate the introduction of the Lisburn Exit Point as a fourth physical offtake from the Postalised Network to Greater Belfast

Modifications to the specific sections of the code include ;

1. Modifications to the Nomination section;
 - a. to facilitate Nomination for exit at Greater Belfast (incorporating the Lisburn Exit Point) from the Postalised Network pursuant to the Upstream Operators Code
 - b. to provide that the matching of Nominations at the Carrickfergus Entry Point shall not be mandatory.
2. Modifications to the Allocation section to facilitate:
 - a. incorporation of metering from the Lisburn Exit Point into the exit allocation for the Greater Belfast Exit Point.
 - b. use of information provided by the Upstream Operator as the basis for calculating Entry Allocations.

¹ BGE(UK) were awarded a Conveyance Licence in Northern Ireland in February 2002 for the North-West pipeline (NWP) and South-North Pipeline (SNP). BGE(UK) operate under the trading name BGE(Northern Ireland) or BGE(NI) in Northern Ireland.

3. Modifications to the Balancing section to facilitate;
 - a. the administration of the Postalised Network Disbursement Procedure and BGE(NI) Postalised Network Bank Account.
 - b. Shippers balancing between the Entry Point to the Postalised Network and their Exit Point.
 - c. The Transporter to use reasonable endeavours to ensure the physical balance of the Transportation System.
 - d. The Transporter making Nominations for balancing gas in certain circumstances.

4. Modifications to the capacity reduction and emergencies section:
 - a. To allow the Transporter pass Exit Point Allocation information to the Upstream Operator in certain circumstances and to receive information relating to Unauthorised Flow Charges to be invoiced to exiting Shippers from NWP and SNP.

5. Consequential modifications to other sections of the Code have been incorporated to include provision for an extended NINOA, to facilitate exchange of information and administrative matters. Other consequential changes are required due to the changes outlined above including modifications to Entry Requirements and Measurement and Testing sections of the Code.

6. Modifications to the Charges Payment and Tax section to facilitate ;
 - a. Invoicing PS Code Charges to Shippers exiting the NI Network at the Lisburn Exit Point.
 - b. To clarify that payment should be made to the PoT or BGE(NI) Postalised Network Disbursement Account as appropriate.

7. Correct typographical and other minor drafting errors;

This modification allows for the Entry Quantity to be redefined as a Quantity notified to The Transporter pursuant to the NINOA for the purpose of making allocations (where no such quantity or information notified, The Transporter will base entry allocations on the quantity mentioned for delivery at the Carrickfergus Entry Point). The Code will require review and amendment to allow for gas flows through any new Entry Point via the South-North Pipeline.

Minor modifications to other sections of the Code have also been included to facilitate greater consistency between the Northern Ireland Transmission and Distribution conveyance arrangements, for example a modification to the sulphur limit in Appendix 2 and to facilitate greater consistency between the Code arrangements and the licence arrangements for example section 11.4.3.

The proposed draft amendments to the Code are detailed as attached in Appendix 1. For ease of review the draft changes are presented as a redline

mark-up of the code. The modification proposal is also available on the BGE(NI) website at www.bordgais.ie/htm/transportation/index.htm

3. Third Party Representations Made

The Transporter received one written comment from British Gas Trading on the modification proposal.

An industry meeting was also held on 21 February 2007, to present and discuss the drafting changes to the Code.

Shipper comments related principally to issues around participation in the single balancing zone, benefits of moving to the new regime, and around the requirement for suppliers to Greater Belfast to accede to all three transmission codes. These principle comments are addressed below:

The benefits for streamlining have been presented at various industry meetings and it should be noted that outline of the costs was included in OFREG's note of 23rd January 2007, which was circulated to all shippers. It is anticipated that the performance of Streamlining will be monitored by the Transporter in conjunction with OFREG going forward.

With regard to participation in the single balancing zone and the benefits of moving to the new regime; it should be noted that there will be no reduction in the amount of information being made available to Shippers under the new arrangements. Specific information on shipper balancing behaviour is not currently available to other shippers on the separate balancing zones and this will continue to be the case under the single balancing zone.

With regard to shrinkage, the current arrangements are that each Transporter estimates what proportion of balancing gas bought or sold within a year was shrinkage. This Code Mod does not change this process. The Transporter will in future make any estimates of shrinkage available to all shippers on the postalised network.

With regard to accession by Suppliers to Greater Belfast to all three Transmission Codes, the service to Belfast includes gas offtakes at the four exit points from the Postalised Network, three from the PTP and one from the SNP. With the introduction of streamlining, Suppliers to Belfast are required to nominate under the PTL Transmission Code only and capacity on SNIP/PTP and NWP/SNP is held by Phoenix Distribution.

It is therefore proposed that Suppliers to Belfast will not be required to accede to the BGE(NI) Code while streamlining is in place.

In the unlikely event that the streamlining arrangements are discontinued this will require that the arrangements revert to the existing regime where all parties wishing to offtake gas at Lisburn will be required to accede to the BGE(NI)Code and nominate against capacity held from Carrickfergus to Lisburn.

4. Proposed Implementation Date

As requested by Ofreg, the Transporter proposes an implementation date for this modification of 1 April 2007, in line with the implementation date of similar modification proposals by Phoenix and PTL, and implementation of the modification to the NINOA.

5. Impact on the Operation of Other Designated Pipeline Operator's Network Codes

Both Phoenix and PTL have proposed complementary modifications to their Transportation Codes. This Code Modification is intended to increase the level of commonality between the Transmission Codes on the Northern Ireland Postalised Network.

6. The Transporter Opinion

The Transporter supports the proposal as outlined in this Final Modification Report. This Code Modification facilitates the relevant objective of the introduction of a single balancing zone on the Postalised Network and to facilitate the introduction of the Lisburn Exit Point as a fourth physical offtake from the Postalised Network to Greater Belfast.

APPENDIX 1

Proposed text amendments attached. (clean and redline version)