

1st February 2007

Transportation Network Code Proposed Modification 4 Initial Modification Report

1. Introduction

BGE(NI) (“the Transporter”) has prepared this report in accordance with Section 4 of the BGE(Northern Ireland) Transportation Network Code Modification Rules.

2. Proposed Modification

Background

This proposed modification is to change certain sections of the BGE (Northern Ireland) Transportation Network Code, to facilitate 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

The current transportation arrangements on the Postalised Network were developed by OFREG and the DPO’s in conjunction with Industry during 2003 and 2004.

The current arrangements were approved by OFREG and implemented in the DPO’s Codes and associated inter-operator agreements in Q4 2004 to allow for the introduction of the North-West Pipeline (NWP) in conjunction with postalisation of the tariff regime.

OFREG issued a consultation paper in July 2005 on introducing the South-North Pipeline (SNP) into the postalised network. Many of the respondents to the paper, including the DPO’s identified possible opportunities to rationalise and streamline the existing arrangements.

OFREG subsequently requested the DPO’s to develop proposals to rationalise and streamline the existing transportation arrangements which resulted in a joint paper developed by the DPO’s which was submitted to OFREG in Q1 2006. This paper circulated by OFREG for consultation on 15th May 2006. Responses to the consultation on the Streamlining paper generally supported the proposals.

OFREG requested the DPO’s develop business rules for the required Code Modifications in August 2006. These were developed as a preliminary mark up of the Codes and NINOA, and were issued by OFREG for industry review and comment on 10th October.

OFREG requested that BGE(NI) progress to develop the legal drafting for modifications to the BGE(NI) Code on 11th November 2006.

Proposals

The proposed modifications to the Code include:

- Modifications to the Nomination section;
 - to facilitate Nomination for exit at Greater Belfast (incorporating the Lisburn Exit Point) from the Postalised Network pursuant to the Upstream Operators Code

- to provide that the matching of Nominations at the Carrickfergus Entry Point shall not be mandatory.
- Modifications to the Allocation section to facilitate:
 - incorporation of metering from the Lisburn Exit Point into the exit allocation for the Greater Belfast Exit Point.
 - use of information provided by the Upstream Operator as the basis for calculating Entry Allocations.
- Modifications to the Balancing section to facilitate;
 - the administration of the Postalised Network Disbursement Procedure and BGE(NI) Postalised Network Bank Account.
 - to balance between the Entry Point to the Postalised Network and the corresponding Exit Point.
- Modifications to the capacity reduction and emergencies section:
 - To allow the Transporter pass Exit Point Allocation information to the upstream operator and to receive information relating to Unauthorised Flow Charges to be invoiced to exiting Shippers from NWP and SNP.

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 requirement and Measurement and Testing sections of the Code.

This proposed 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.

As requested by OFREG in letter on 27 June 2006, approving BGE(NI) to implement Code Modification 3, the drafting with respect to Code Modification 3 will be removed from the code as part of Code Modification 4. This direction letter from OFREG is included in Appendix 2 of this Initial Modification Report.

The proposed drafting amendments are included as a red-line mark-up of the Code in Appendix 1.

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

3. Modification proposed by

The Transporter

4. Proposed Modification submitted

1st February 2007

5. Transporters opinion of Proposed Modification

As proposer of the Modification the Transporter supports the proposal and believes that the modification better facilitates the relevant objective in the Licence, as the benefits identified include;

- Streamlining of Shipper arrangements on the Postalised Network.
- Increased effectiveness of operator to operator communication.
- Increases level of operator to operator co-operation
- Reduces amount of administration for Shippers
- Facilitates incorporation of Lisburn into Postalised Network as part of existing Greater Belfast Exit Point
- Facilitates NI network single balancing zone and Postalised Network Disbursement Procedure.
- Analysis indicates that requirement for balancing will be reduced depending on Shipper behaviour

6. Impact on other DPO's Network Codes

The DPOs have jointly developed the principles for streamlining and during this process it was recognised that all three Northern Ireland Transmission Codes would require modification simultaneously, in addition to the Northern Ireland Network Operator Agreement (NINOA) to allow the proposals to take effect.

Therefore the introduction of the BGE(NI) Modification will require simultaneous modification's to the other DPO Network Codes and amendment of the NINOA. The Transporter reserves the right to modify the proposal including the legal drafting to take account of further amendments which may be necessary as the amendments to the NINOA are developed. Amendments to the proposal may be required in response to OFREG, industry and the other DPO's comments on the modification proposal, and otherwise as the Transporter considers necessary or appropriate to ensure consistency of application of principles across the Postalised Network.

The Transporter, as directed by OFREG, has developed the proposed Code Modification to reflect the principles with respect to streamlining as outlined in the DPO's paper on Streamlining the Transportation Arrangements on the Postalised Network. OFREG have advised that they will undertake as part of their review of the modification proposals for the three transmission Codes an exercise to ensure that the

modifications to the Codes are such that they reflect a consistent application of the principles across the Postalised Network and to ensure that there are no inconsistencies as between the Modifications which would impede the operation of the streamlined Transportation Arrangements.

7. Proposed Implementation Date

It is proposed that this modification be implemented with on a date to be agreed with OFREG, subject always to systems development and all necessary arrangements being in place.

The implementation date will be subject to the three Transmission Codes and the NINOA Modifications being implemented simultaneously.

8. Consultation Period for Initial Modification Report

Comments are requested on or before Friday 2nd March 2007.

by electronic mail to: Email: danobrie@bge.ie

or by facsimile to: Fax: 00353 214534646

or by post to :
Danny O'Brien
Bord Gáis Networks
Transportation Services
P.O. Box 51,
Gasworks Road,
Cork