

Gas Networks Ireland

Attn.: Andrew Kelly
Gasworks Road
PO Box 51 Cork
Ireland

Dear Andrew,

Please find attached Statoil's response to the consultation regarding Balancing Arrangements for Ireland. We remain concerned that previous consultations & workshops on the subject haven't been acted upon or provided clarity for the future implementation of EU Balancing Network Code (BAL NC). Please note we also fully support the IOOA letter for this consultation.

We will now outline our answers to the individual questions below:

Views on a Trading Platform

- 1) The potential benefits of GNI participating on a Trading Platform will be to create a market based balancing regime where cash out prices develop based on real time market conditions. This in turn would encourage liquidity amongst shippers to trade and for additional balancing tools to be made available to GNI to balance the Irish Network more efficiently. For either a Trading or Balancing Platform to work efficiently GNI must implement the removal of Tier 1 & Tier 2 imbalance tolerances which would incentivise each shipper to balance to zero every day. Having a liquid and fully functioning Trading Platform will reduce the risk of situations such as 9th July occurring in the future. Statoil sees no benefit in creating separate platforms due to limited number of participants within the Irish market.
- 2) Statoil sees a risk there could be insufficient liquidity on the platform for a particular day, based on the lack of information currently provided to Irish Shippers. The implementation of line pack figures being made available to the market by GNI on an hourly basis would provide shippers with near real time information. This could incentivise shippers to post bids/offers on the Trading Platform. To summarise the more information GNI make available to shippers the more likely a liquid trading price at IBP is likely to develop.
- 3) Yes, Statoil is aware of Energy Brokers Ireland (EBI) Platform which is due to go live imminently.
- 4) All Irish shippers should be incentivised to sign up to the Trading Platform with the removal of Tier 1 and Tier 2 imbalance tolerances in Ireland. The impact would be that all shippers would be incentivised to balance to zero each day using the platform to trade out their imbalances thus boosting liquidity as occurs in other European markets. As Statoil has mentioned in several previous consultations and industry discussions the removal of tolerances is key to promoting a healthy & competitive Irish market which will in turn produce transparent daily cash out prices. Without the removal of tolerances there will be no incentive to balance and therefore liquidity and genuine market conditions will not flourish.

Views on a Balancing Platform

- 5) Statoil sees little or no benefit in GNI participating in a Balancing Platform as its only purpose would be for GNI to take balancing actions. This provides no incentives for liquidity or market conditions to be created by shippers. Apart from additional transparency provided to shippers in advance of balancing actions Statoil sees no improvement on the current Balancing Service Contract.
- 6) Statoil is concerned the cost of developing a balancing platform in house by GNI will be a lot more expensive than accessing the Trading Platform proposed by Energy Broking Ireland. There are also concerns around the time this process might take.

Views on a Transitioning to a Platform

- 7) Statoil's preference is for GNI to move to a Trading Platform as soon as possible and for imbalance tolerances to be removed to support liquidity. Statoil would also like to use this opportunity to propose the following timelines in conjunction with Code Modification A077. Draft business rules for a trading platform at the IBP for consultation and discussion by 1 November 2016, finalise the business rules by 1 February 2017 and implement such rules by 1 March 2017.
- 8) If GNI is purchasing gas we feel no credit arrangements should be required between the parties. If GNI is selling gas then the same credit arrangements as is currently in place with the balancing services shipper should be implemented.
- 9) In the event of insufficient liquidity on a platform GNI should procure the most efficient/cheapest source of gas available whether that is via the balancing services contract or via Moffat into IBP. This information should be communicated to the industry via GTMS and shown real time in terms of the update to cash out pricing.

Views on potential scenarios

- 10) Statoil has added its comments against each scenario.

Scenario	Cashout Buy Price to Apply to Shippers' Short Positions	Cashout Sell Price to apply to Shippers' Long Positions
A. GNI has no balancing (buy or sell) requirements, but there are trades on a Platform.	Weighted average of trades on platform plus 1p/therm.	Weighted average of trades on platform minus 1p/therm.
B. GNI has no balancing requirements, and there are no trades on a Platform.	Cash out price linked to NBP SAP plus 1p/therm.	Cash out price linked to NBP SAP minus 1p/therm.
C. GNI has balancing buy requirements, and has to utilise the balancing services contract.	Cash out price is the cost of the buy under the balancing services contract which should include the cost of the short-term transportation capacity booking to get gas from entry point to IBP	Weighted average of trades on platform minus 1p/therm.
D. GNI has balancing sell requirements, and has to utilise the balancing services contracts.	Weighted average of trades on platform plus 1p/therm.	Cash out price is the cost of the sell under the balancing services contract which should include a mark-up to reflect short term transportation capacity booking
E. GNI has balancing buy requirements, and trades these out on a Platform.	Highest priced buy action by GNI taken on the Platform	Weighted average of trades on platform minus 1p/therm.
F. GNI has balancing sell requirements, and trades these out on a platform.	Weighted average of trades on platform plus 1p/therm.	Lowest priced balancing sell taken on the platform by GNI

11) The gas day of 9th July have shown the current balancing arrangements in Ireland are inappropriate in view of new indigenous gas flowing into Ireland. It is a source of frustration that despite a number of "balancing consultations" taking place in the past that GNI are no further forward in finding a solution to the balancing issues which have become prevalent in 2016. Statoil feels the Interim measures currently in place need to be overhauled at the earliest possible opportunity to allow the IBP to develop into a market based balancing regime. This was reflected in the presentation IOOA gave to industry on 20th April which sadly hasn't been taken forward by GNI.

Statoil sees the following areas as key to creating a market based IBP price; you will see the points mostly focus on increased transparency of information to shippers which has been a consistent theme throughout Code Modification meetings in the last 12 months.

- An IBP SAP being the weighted average of all trades carried out on the Trading Platform on a day should be published. This can be shown on the platform and GTMS, examples were discussed during the balancing workshop on 20th April and we are happy to discuss further as to how this might look.
- System Marginal Buy & Sell prices should also be published in conjunction with the SAP price. Our answers to question 10 reflect how they would be calculated based on the scenarios provided.
- Tolerances reduce the incentive for shippers to balance. All tolerances should be removed so that shippers are fully exposed to the market consequences of their actions. This will maximise liquidity on a Trading Platform.
- Balancing Action Notifications should be provided to industry in advance of a balancing action(s) transacting within a balancing window(s) each day. This will ensure that liquidity is maximized when GNI is transacting on a Trading / Balancing Platform. IOOA presentation of 20th April gave some examples of how other TSO's provide this information and we are happy to discuss this further with you.

Statoil would very much welcome the views of the CER on this important issue and feel they should play a leading role going forward. We remain at your disposal to answer clarify any points from this consultation or answer any questions you might have.

Kind regards

Terry Burke

Regulatory Affairs Adviser
MT OMA GRM
Statoil (U.K.) Limited

Mobile: +44 7825033038
Telephone: +44 2032043521
Email: tebur@statoil.com