

*European Network Code Implementation:*

# Balancing

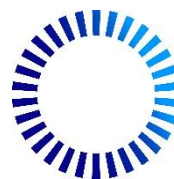
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**Code Modification No. A068**

*Business Rules for Industry Consultation*

22<sup>nd</sup> June 2015

**Version 1.0**



**Gas  
Networks  
Ireland**

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Supporting Documentation:

Date	Source	Reference
April 2013	Gaslink	Consolidated <a href="#">Gaslink Code of Operations v4.0</a> as of 1 April 2013
March 2014	European Union	<a href="#">Regulation EU No. 312/2014</a> establishing a Network Code on Gas Balancing of Transmission Networks
2014/2015	Gaslink	<a href="#">Code Modification A063</a> 'Nominations, Imbalance Charges and Allocations'
April 2015	CER	<a href="#">Interim Measures Report</a> - Gaslink report approved by CER'

## CONSULTATION PERIOD

**Comments are requested on or before 6<sup>th</sup> July 2015**

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## 1. Introduction

The Business Rules for Modification A068 are set out in the paragraphs below and:

- a) support the development of Interim Measures as identified in the [Interim Measures Report](#) that was approved by the CER in April 2015 – Interim Imbalance Cashout and Shipper Portfolio Tolerance; and
- b) contain elements that were originally included in [Code Modification A063](#) – Disbursements Account, Scheduling Charges, Trade Notifications/IBP Nominations and After Day Trades.

## 2. Interim Imbalance Cashout

The requirement for Interim Imbalance Cashout arrangements is set out in the Interim Measures Report Section 5.3. This proposes the introduction of a differential in the derivation of cashout prices for the First Tier Imbalance Quantity. The Second Tier Cashout prices will be unchanged for October 2015 but may be subject to change as the regime develops. The Second Tier Imbalance Price calculation is included here for completeness.

2.1 For the purpose of calculating a Shipper's Daily Imbalance Charge, the First Tier Imbalance Price shall be:

- (a) Where the Final Daily Imbalance Quantity is positive, the Euro equivalent of the System Average Price multiplied by 0.98.
- (b) Where the Final Daily Imbalance Quantity is negative, the Euro equivalent of the System Average Price multiplied by 1.02.

2.2 For the purposes of calculating a Shipper's Daily Imbalance Charge, the Second Tier Imbalance Price shall be:

- (a) Where the Final Daily Imbalance Charge is positive, the lower of:
  - i) The First Tier Imbalance Price multiplied by 0.95 less the Imbalance Gas Transportation Costs; or
  - ii) The Euro equivalent of the System Marginal Sell Price published by National Grid for the Day less the Imbalance Gas Transportation Costs.
- (b) Where the Final Daily Imbalance Price is negative, the higher of:
  - i) The First Tier Imbalance Price multiplied by 1.05 plus the Imbalance Gas Transportation Costs; or
  - ii) The Euro equivalent of the System Marginal Buy Price published by National Grid for the Day plus the Imbalance Gas Transportation Costs.

2.3 The Daily Imbalance Charge for each Shipper for a Day shall be determined as :

$$DIC = (FTQ * FTIP) + (STQ * STIP)$$

Where:

DIC	=	The Shipper's Daily Imbalance Charge for the Day
FTQ	=	The Shipper's First Tier Imbalance Quantity for the Day as set out in the Code of Operations 1.6.1 (a)
FTIP	=	The First Tier Imbalance Price for the Day
STQ	=	The Shipper's Second Tier Imbalance Quantity for the Day as set out in the Code of Operations 1.6.1 (b)
STIP	=	The Shipper's Second Tier Imbalance Price

### 3. Shipper Portfolio Tolerance

The Interim Measure Report, Section 5.2, proposes a stepwise reduction of the Shipper Portfolio Tolerance so that it is completely removed within 5 years of entry into force of Regulation (EC) 312/2014. The proposed changes here therefore represent the first step towards removal of the Shipper Portfolio Tolerance.

- 3.1 The Entry Tolerance percentage that will be applied to a Shipper's Final Entry Allocations for a Day is as follows:

Entry Point	Entry Tolerance %
Moffat	0
Inch	1.5

In the event that the Operational Balancing Agreement (OBA) between Gaslink and National Grid is not applicable on a Day, for any reason, resulting in differences between a Shipper's Final Nomination at the Moffat Entry Point and the Shipper's Final Allocation at the Moffat Entry Point then the Entry tolerance applicable at the Moffat Entry Point shall be 1.5%.

- 3.2 The Exit Tolerance percentage that will be applied to a Shipper's Final Exit Allocations for a Day is as follows:

Sector/Size (Annual Quantity)	Exit Tolerance %
LDM>1,500,000,000 kWh (LDM1)	3.5
LDM>260,000,000 to 1,500,000,000 kWh (LDM2)	9
LDM>57,500,000 to 260,000,000 kWh (LDM3)	19
DM	30 of DM Exit Allocations
NDM	2.5 of NDM Exit Allocations
Inch Storage Exit Point	1.5
S/N IP	0
Sub-sea I/C >1,500,000,000 kWh (I/COff1)	3.5
Sub-sea I/C >260,000,000 to 1,500,000,000 kWh (I/COff 2)	9
Sub-sea I/C < 260,000,000 kWh (I/COff 3)	19

In the event that the Operational Balancing Agreement (OBA) between Gaslink and Gas Networks Ireland (UK) is not applicable on a Day, for any reason, resulting in differences between a Shipper's Final Nomination at the S/N IP and the Shipper's Final Allocation at the S/N IP then the Exit tolerance applicable at the S/N IP shall be 1.5%.

- 3.3 The Shipper Portfolio Tolerance for each Shipper for each Day shall be calculated in accordance with the following formula:

$$SPT = \sum(3.5 \% \text{ of LDM1All}) + \sum(9 \% \text{ of LDM2All}) + \sum(19 \% \text{ of LDM3All}) + (30 \% \text{ of DMAAll}) + (2.5 \% \text{ of NDMAAll}) + (0\% \text{ of MTAAll}^1) + (1.5\% \text{ of ITAll}) + (1.5\% \text{ of}$$

<sup>1</sup> On a Day where the OBA is not in effect at the Moffat Interconnection Point then the percentage used for the calculation of the Entry Tolerance at the Moffat Entry Point shall be 1.5%.

$CSEPINCHAll) + \sum(3.5 \% \text{ of } I/COff1All) + \sum(9 \% \text{ of } I/COff2All) + \sum(19 \% \text{ of } I/COff3All) + (0\% \text{ of } S/N IPAll)^2$

where:

SPT	=	the Shipper Portfolio Tolerance applicable to a Shipper for the Day;
LDM1All	=	the Final LDM Exit Allocation for a Shipper at individual LDM Offtakes (>1,500,000,000kWh) in respect of the Day;
LDM2All	=	the Final LDM Exit Allocation for a Shipper at individual LDM Offtakes (>260,000,000 to 1,500,000kWh) in respect of the Day;
LDM3All	=	the Final LDM Exit Allocation for a Shipper at individual LDM Offtakes (>57,500,000 to 260,000,000kWh) in respect of the Day;
DMAI	=	the Final DM Exit Allocation for a Shipper in respect of DM Offtakes in respect of the Day;
NDMAI	=	the Final NDM Exit Allocation for a Shipper in respect of NDM Supply Points in respect of the Day;
MTAI	=	the Final Entry Allocation for a Shipper at the Moffat Entry Point;
ITAI	=	the Final Entry Allocation for a Shipper at the Inch Entry Point;
CSEPINCHAll	=	The Final CSEP Exit Allocation for a Shipper at the Inch Storage Exit Point;
I/COff1All	=	the Final Exit Allocation for a Shipper at individual I/C Offtakes (>1,500,000,000kWh);
I/COff2All	=	the Final Exit Allocation for a Shipper at individual I/C Offtakes (>260,000,000 to 1,500,000kWh);
I/COff3All	=	the Final Exit Allocation for a Shipper at individual I/C Offtakes (>57,500,000 to 260,000,000kWh);
S/N IPAll	=	the Final Exit Allocation for a Shipper in respect of The S/N IP

<sup>2</sup> On a Day where the OBA is not in effect at the South/North Interconnection Point, then the percentage used for the calculation of the Exit Tolerance at the S/N IP shall be 1.5%.



## 4. Neutrality Arrangements

- 4.1 It should be noted that while the proposals in sections 4.3 and 4.4 are to be implemented in the Code of Operations, it is not proposed that they be implemented by October 2015. Sections 4.3 and 4.4 of this document will be implemented by 1 October 2016.
- 4.2 The proposal in section 4.5 will be implemented on 1 October 2015.
- 4.3 The Transporter will retain its current ‘neutral’ position to the operation of the neutrality account relating to Daily Imbalance Charges, Balancing Gas Charges and other charges relating to balancing activities.
- 4.4 The Disbursements Account will act as the neutrality account as detailed in Part E, Section 1.4 of the Code and will remain unchanged for the most part, with the following exceptions:
- (a) Whereas currently any credits due to a Shipper arising from the Daily Imbalance Charge methodology are settled on an annual basis, it is proposed that Shippers be settled on a monthly basis according to a Shipper’s throughput in that month;
  - (b) The net costs relating to Balancing Gas shall be settled on a monthly basis and any net charge or deficit will be charged or credited to Shippers, as the case may be, according to a Shipper’s throughput in that month;
  - (c) In order to maintain the Transporter’s cash neutrality, a Neutrality Charge may be applied on a monthly basis amounting to the difference between the amounts received or receivable and the amounts paid or payable by the Transporter due to performance of its balancing activities, and which is payable to or recoverable from the relevant Shippers. Each Shipper shall be liable for payment of its portion of the Neutrality Charge proportional to its throughput in that month.
- 4.5 The Transporter shall publish the following on a monthly basis:
- (a) aggregate daily imbalance charges; and
  - (b) aggregate balancing action charges

## 5. Scheduling Charges

- 5.1 Scheduling Charges, as currently provided for in Part E, Section 1.10 of the Code, applies a charge to each Shipper by reference to the absolute difference (in kWh) between a Shippers Valid Nomination and its Final Allocation in respect of a given point.
- 5.2 Given that a Shipper's Allocation at Interconnection Points will predominantly equal its Confirmed Quantity, then under normal circumstances, Shippers will not be exposed to the risk of scheduling charges occurring. However, if, for any reason, the OBA is not operational on any Day, then scheduling charges will apply as set out in the Code of Operations.
- 5.3 The Entry Scheduling Charge payable by each Shipper at each Entry Point in respect of the Day shall be calculated according to the following formula:

$$ESC_{\text{Entry}} = ESCQ_{\text{Entry}} * (5\% * SAP)$$

Where:

$ESC_{\text{Entry}}$  = the Entry Scheduling Charge

$ESCQ_{\text{Entry}}$  = a Shipper's Entry Scheduling Charge Quantity for the Day at an Entry Point

SAP = System Average Price

- 5.4 The Exit Scheduling Charge payable by each Shipper in respect of the Day shall be calculated according to the following formula:

$$ESC_{\text{Exit}} = ESCQ_{\text{Exit}} * (5\% * SAP)$$

Where:

$ESC_{\text{Exit}}$  = the Exit Scheduling Charge

$ESCQ_{\text{Exit}}$  = a Shipper's Exit Scheduling Charge Quantity for the Day

SAP = System Average Price

## 6. Trade Notifications/IBP Nominations

- 6.1 Chapter 2 (Articles 4 & 5) of the Regulation covers the concept of ‘trade notifications’ (disposing and acquiring), which, according to Article 5.1, are submitted by Shippers to the Transporter to notify it of ‘gas transfer between two balancing portfolios within the same balancing zone’.
- 6.2 The concept of trade notifications is currently included in the Code in the form of IBP (Irish Balancing Point) Nominations, with an IBP Sell Nomination corresponding to a disposing trade notification and an IBP Buy Nomination corresponding to an acquiring trade notification.
- 6.3 Therefore, for the purpose of this section 5, the terminology in the Code will be used.
- 6.4 The existing rules in relation to IBP Nominations comply with the requirements of the Regulation for the most part. It is therefore proposed that the existing Code rules be retained, with the following amendments to ensure alignment with the Regulation:
  - a) The Transporter will process corresponding IBP Buy and IBP Sell Nominations within 30 minutes of the trade notifications being made (i.e. 30 minutes from the time at which the later IBP Nomination is made).
  - b) The existing requirement that a Shipper must hold sufficient Active Entry Capacity or Active Exit Capacity, as the case may be, in order to submit an IBP Nomination is to be discontinued.

## **7. After Day Trades**

- 7.1 After Day Trades (ADTs) will not be removed from the CoP in October 2015 as previously proposed in Modification A063. However, Gaslink will monitor the usage of ADTs and where it appears that the usage is reducing the incentives for network users to trade within-day then the removal of ADTs may be proposed.

## **8. Balancing Portfolios**

- 8.1 The concepts of ‘system balancing portfolios’ and ‘interconnector balancing portfolios’ as proposed in Chapter 5 of Code Modification A063 business rules is not being progressed further.