

Code Modification No. A068 Balancing Business Rules V1.0

Vayu welcomes the opportunity to comment on the business rules proposed by Gaslink to implement the EU Network Code for “Balancing”.

We note that Gaslink have taken into account the comments received to date on the initial code modification A063: Nominations, Imbalance Charges and Allocations, particularly in relation to the proposed draconian imbalance prices for 2nd tier imbalances.

In relation to specific areas of the business rules, we make the following comments:

Interim Imbalance Cashout Prices

Section 2.1 of the rules introduces a differential of 2% in the price to be applied to 1st Tier imbalance prices. This is a significant change to the current rules that has no differential in place and imposes additional costs on shippers.

Article 50.4 (Tolerance) deals with the calculation of the maximum tolerance that should be bought or sold. It also crucially adds that this tolerance should be priced at a weighted average price. Any amounts in excess of the tolerance should be at a marginal sell or buy price.

Applying a differential price to this 1st tier imbalance contravenes this Article and therefore the proposed structure should not be approved.

Unless it is shown that in the 5 years post implementation that there is an issue with keeping 2nd Tier imbalance at the current levels, we believe that the current rules should continue to be applied.

Shipper Portfolio Tolerance

We recognise that Gaslink has moved somewhat from its initial position on the tolerances proposed in Code Mod A063. However, we believe that the reduction in the tolerance levels of c. 25% across all sectors has been random at best. Much more analysis should have been presented in relation to the appropriate level of tolerance for each individual sector.

It should be recognised that shippers to Large Daily Metered (LDM) sites have real time access to consumption and therefore could be argued that their tolerances could be narrower than those proposed. We believe the following tolerance levels would be more appropriate to LDM sites:

<i>Size</i>	<i>Exit Tolerance %</i>
LDM1	3.5
LDM2	5.0
LDM3	15.0

It, equally, should be recognised that shippers to Daily Metered (DM) sites do not have access to the real time consumption data and therefore have little or no control over what their portfolio of sites is consuming on any given day. We believe that dropping the tolerance level for this sector to 30% is disproportionate and firmly believe that the current tolerance levels for a shipper with an aggregate DM portfolio should be retained at 40%.

Neutrality Arrangements

On balance, we are supportive of the majority of the proposals with respect to neutrality arrangements. We would like to get confirmation that all shippers are being treated equally and that there are no exceptions to the rules applied.

Trade Notifications / Irish Balancing Point (IBP) Nominations

Vayu supports the removal of the requirement to have Active Entry Capacity for IBP sells and Active Exit Capacity for IBP Buys. This is a must to encourage trading at the IBP.

After Day Trades

Vayu supports the retention of After Day Trades to enable shippers offset scheduling or imbalance charges.

Conclusion

We are looking to be pragmatic in the proposed suggestions above for Interim Imbalance Cashout Prices and Shipper Portfolio Tolerances and firmly believe they merit consideration. However, each may require additional analysis before they can be approved. If you wish to discuss any of these comments in more detail, please do not hesitate in contacting us.