

Final Modification Report

Code Modification A070:

‘Implementation of the Inch Storage Entry Point’

18 December 2015

Issued to CER for Approval

Issued to industry for information



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1 Introduction & Background

1.1 Introduction

The purpose of this Final Modification Report is to aid the CER in deciding whether this modification proposal should be progressed further, and if so, in what manner. It also serves as a summary document of the modification process to date. In doing so, this report includes the following:

- Background to the modification and the timeline of events to date;
- Summary of written consultations, Industry responses, and forum discussions to date;
- Proposed changes to business rules as a result of consultation;
- Transporter’s estimate of IT system costs; and
- Transporter’s assessment of the proposal.

The report is issued to the CER, simultaneously with an updated Business Rules v2.0, requesting the CER to issue a decision regarding the next steps to be taken, using the report as a tool in the decision making process. As part of this decision, the CER is requested to consider whether manual or systemised implementation of this modification is most appropriate. The report is issued to Industry for information.

1.2 Background

This modification was initially proposed as a result of [Decision Paper CER/15/140](#), in which the CER directed the Transporter to apply two distinct tariffs at Inch, one in respect of ‘storage’ gas and the other in respect of ‘production’ gas from 1 October 2015.

Extract from Decision Paper CER/15/140:

‘.....the CER has decided that where storage gas re-enters the GNI system from the Inch Entry Point it will pay the primary (pre-adjusted) entry tariff as calculated by the Matrix methodology. Rescaling will not apply to the primary tariff for Storage gas from the Inch Entry Point. For clarity, production gas from the Inch Entry Point will pay the rescaled (adjusted) Entry tariff.

Decision 11: The CER directs Gas Networks Ireland to apply the primary (pre-adjusted tariff) Inch Entry Point tariff where storage gas re-enters the GNI system from the Inch Entry Point from 1st October 2015.

The modification proposal was initiated on 2 September 2015 and has been discussed at Code Modification Forum meetings on [16 September](#) and [4 November](#), as well as at an offline workshop on 6 October. Written consultations have been conducted, initially in respect of the proposal form, and later in relation to the [Initial Modification Report](#) and [Business Rules](#) v1.0. The following table shows the timeline to date for this Modification A070.

Item	Date
Proposal Form	2 September 2015
Consultation re Modification Proposal	16 – 25 September 2015
Business Rules v1.0 for consultation	16 - 30 October 2015

Initial Modification Report	16 October
Revised Business Rules v2.0 for CER	18 December 2015
Final Modification Report for CER	18 December 2015

Taking consultation responses into consideration, the Transporter has proposed a number of amendments to the business rules. These amendments are included in an updated version 2.0 of the business rules and are also outlined briefly in this report.

1.3 Interim Solution

Decision Paper CER/15/140 required that its direction be applied as and from 1 October 2015. Accordingly, it should be noted that the direction has already been given effect in practice since 1 October by way of manual workarounds (please refer to Interim Proposal slides circulated on [18 September 2015](#) for further information regarding the ‘interim’ solution).

Notwithstanding that the direction has already been given effect in practice, the current code modification process seeks to:

- a) formalise the contractual arrangements in the Code of Operations; and
- b) consider the merits of replacing the existing manual workarounds with IT systemisation.

The interim solution will remain in effect until such time as modification A070 is formally approved and implemented.

2 Business Rules v1.0

Under the Business Rules published on 16 October 2015 it was initially proposed to establish two distinct entry points, at which the existing Code rules in relation to capacity, nominations, allocations, overruns etc. would apply as normal. The key points to note in relation to the original proposal are listed below:

Business Rules v1.0:

1. The Inch Entry Point, as currently defined in the Code, shall be replaced with two distinct Entry Points as follows:
 - the '*Inch Storage Entry Point*', at which point storage gas may be delivered to the Transportation System from the Inch delivery facilities; and
 - the '*Inch Production Entry Point*', at which point production gas may be delivered to the Transportation System from the Inch delivery facilities.
2. It is proposed to sub-divide the current Technical Capacity of the Inch Entry Point (55,000,000 kWh) between storage and production as follows :
 - Inch Storage Entry Point: 46,750,000 kWh (85%)
 - Inch Production Entry Point: 8,250,000 kWh (15%)
3. The current arrangements whereby the Inch Allocation Agent submits allocations to the Transporter in respect of the Inch Entry Point shall continue, with the exception that the agent will now provide separate allocations in respect of the Inch Storage Entry Point and the Inch Production Entry Point. In the event that separate allocations are not provided by the agent, the Transporter shall allocate all metered gas to the Inch Production Entry Point by default, with Shippers being invoiced accordingly.

2.1 Summary of Consultation Responses

This Code Modification was presented initially at the Code Modification Forum on 16 September 2015. No significant comments were made by Industry in relation to the proposal at that time.

The proposal was further discussed at the Code Modification Forum of 4 November 2015, where the responses to the Business Rules consultation were discussed.

An update was provided to Kinsale Energy's submission to the NDP whereby it had been indicated that storage activities were due to cease in 2016. It was stated that it was now anticipated that storage activities are due to be reduced from April 2016, with a view to ceasing activities in [April] 2017. Satisfaction with the operation of the interim solution was also expressed by an industry participant. The Forum agreed that given the uncertainty surrounding the continuation of storage activities at Inch, the Transporter would ensure that the cost of systemisation is submitted to the CER for consideration in the progression of this modification.

There have been two consultation periods relating to this Modification. During an initial consultation following the 16 September Code Modification Forum there were no responses received.

Following the publication of the Business Rules two responses were received from the following industry representatives:

- 1) Vermilion Energy Ireland Limited
- 2) Kinsale Energy Limited

Neither respondent expressed a view on whether or not this modification should be progressed or not.

- Vermilion's only comment was to query the wording of a particular clause in the business rules.
- Kinsale Energy had a number of queries regarding the business rules. However they also pointed out that the Transporter should take into account their intention to cease storage activities when determining whether or not to continue with systemisation of this modification.

The queries received from industry, as well as the Transporter responses are detailed below.

Shipper Comment:

Both parties queried the wording of one of the clauses which related to shrinkage charges for storage gas.

Transporter Response:

The Transporter clarified that this modification will be consistent with the changes implemented under Code Modification A052, i.e. that shrinkage charges would not apply in respect of gas allocated to the Inch Storage Entry Point, but would apply in respect of gas allocated to the Inch Production Entry Point. The Business Rules will be updated to reflect this.

Shipper Comment:

The rationale behind the 85:15 split between storage and production capacity was queried. A preference for a first come first served approach to splitting the technical capacity was put forward.

Transporter Response:

At the 4 November CMF the Transporter stated it was open to alternative proposals. It is now proposed to utilise a first come first served approach whereby each shipper will be able to see the remaining technical capacity available to book on the Transporters IT system when booking capacity, and book storage or production gas as appropriate.

Shipper Comment:

The question of what would constitute ‘insufficient information’ as provided by the Inch Allocation Agent which would lead to allocation to the Inch Production Entry Point by default was raised at the CMF. The respondent also stated that there should be an opportunity to correct or supplement any incorrect allocation data.

Transporter Response:

The Transporter now proposes to modify this approach to allocations. In the event of no data being received from the Inch Allocation Agent the Transporter will allocate any metered gas pro rata to the nominations that have been submitted. However the following should still be noted in relation to the allocations process:

- Under current arrangements the Inch Allocation Agent submits allocation data to the Transporter for both storage and production gas for each Shipper at the Inch Entry Point. This information is submitted to the Transporter by 16:00 D+1 in respect of each Shipper. The Transporter believes that the current arrangements (both content and timing of communication) are sufficient for the purposes of the proposed modification, but will engage with the Inch Allocation Agent in due course to confirm a clearly defined process. In the event that no allocation data is submitted by the Inch Allocation Agent, the Transporter will allocate any metered gas pro rata to the nominations that have been submitted.
- Part D of the Code of Operations provides for Entry reallocations to be submitted to the Transporter between 16:00 on D+1 and 16:00 on day D+4. The Transporter is of the view that

this provides the Inch Allocation Agent with sufficient opportunity to ensure that the Transporter has sufficient information to allow gas to be allocated correctly to Storage or Production.

3 Updated Approach to Implementation

1. The Business Rules v1.0 proposed replacing the current Inch Entry Point with two distinct Entry Points. However due to the physical configuration of the Inch Entry Point it would be more straightforward for both the legal drafting and the systemisation for the Inch Entry Point to remain a single Entry Point. The separation of Production and Storage gas will be facilitated by sub-categorising capacity, nominations and allocations at Inch into “Inch Production” and “Inch Storage”, in the Code drafting and the IT system. When booking capacity or submitting a nomination a Shipper will be required to choose between Inch Production and Inch Storage.
2. The Business Rules also proposed allocating any metered gas as Production gas if no allocation data was received from the Inch Allocation Agent. This approach will be modified so that in the event that no allocations are received from the Inch Allocation Agent, any metered gas will be allocated pro rata according to the nominations that have been submitted by each Shipper.
3. The proposal to split capacity between storage and production in a ratio of 85:15 will be modified to allow shippers to book capacity on a first come first served basis. Shippers will be able to see the remaining available capacity on the Transporters IT system and book storage or production gas as appropriate.

These proposed changes will be detailed in the Business Rules v2.0 which will be submitted to the CER for approval.

4 Estimated System Impacts, Costs, and Implementation Timelines

If this modification is to be systemised the Transporter’s IT system (GTMS) would require amendment to allow for the separation of tariffs at the Inch Entry Point. A number of screens would require changing on the GTMS system, including the capacity booking screen and the nominations screen. This will in turn require Shippers to be able to:

- Submit Entry Capacity bookings for both Storage and Production gas;
- Submit nominations in respect of both Storage and Production gas;
- Receive allocations for storage or production gas according to the Inch Allocation Agents allocations, or pro rata to their nominations.

Overruns will be calculated separately for storage and production bookings at the appropriate tariffs.

While these are all possible under the current interim solution, they are being carried out manually by both shippers and the Transporter. Systemising this modification would contribute to the following:

- Reduced risk that Shippers will not identify correctly that the capacity booking is for storage rather than for production.
- Reduced possibility of disputes.
- Allow for greater transparency and reporting capability.
- Simplify the application of shrinkage charges as applicable to production gas.

It is estimated that to design, build, test and implement the IT solution will cost between €63,744 and €83,507.

5 Transporter's Assessment of the Proposed Modification

It is the Transporter's view that the proposed modification addresses and gives effect to the requirements of the CER's direction as set out in Decision Paper CER/15/140.

However, given the cost of systemising this modification the Transporter believes systemisation should not be progressed. The projected cessation of storage activities at Inch in the near future, as well as the effectiveness of the current manual process as outlined in section 1.3 above, lead the Transporter to conclude that the most cost-effective means of implementing the modification is to continue with the existing 'manual process' rather than proceeding with systemisation.

At the Code Modification Forum on 9 December 2015 the estimated cost of systemisation was communicated to industry and the general view expressed at the Forum was that systemisation of this modification not justifiable. This view aligns with the Transporters assessment of the modification.

The Transporter recommends that the CER approves Business Rules v2.0 as submitted with this Final Modification Report and directs the Transporter to progress legal drafting on that basis.

The Transporter will then progress legal drafting of the modification within the Code of Operations, and will ensure that the implementation of the enduring solution is adequately communicated to industry. For the avoidance of doubt this implementation will not include additional systemisation modifications to the Transporters IT systems.

This will ensure that the direction included in Decision Paper CER/15/140 is formalised in the contractual arrangements between the Transporter and Shippers in the Code of Operations.