

# **Initial Modification Report**

**Code Modification A070:**

***‘Implementation of the Inch Storage Entry Point’***

**16 October 2015**

*Issued for Consultation*



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## 1. Introduction

This Initial Modification Report is published further to the modification proposal form issued on 2 September 2015 and should be read in conjunction with business rules version 1.0, as issued concurrently with this report

Code Modification Proposal A070 *'Inch Storage Entry Point'* is proposed by the Transporter and recommends splitting the existing Inch Entry Point in two, through the establishment of two distinct Entry Points, one point at which 'storage' gas enters the network, the other at which 'production' gas enters the network. The business rules which follow set out the proposed arrangements to apply at the respective points.

The requirement for the proposed modification arises from [Decision Paper CER/15/140](#), in which the CER directed the Transporter to apply two distinct tariffs at Inch, one in respect of 'storage' 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 1<sup>st</sup> October 2015.***

### **Interim Solution**

Pending approval of Code Modification Proposal A070, the Transporter proposes to give effect to the CER's direction by amending the Code of Operations and updating the Transporter's IT Systems. However, while the Code modification process and implementation of the associated IT changes will take some time to complete, it should be noted that the Transporter has proposed an interim process which is already in place and has given effect to the CER's direction as and from 1 October 2015.

The interim process is not formally included in the Code and involves manual workarounds as opposed to IT system changes. As this business rules document is solely concerned with the enduring solution, please refer to the Code Modification Forum slides of [16 September 2015](#) for further information regarding the interim solution. The interim solution will remain in effect until such time as modification A070 is formally approved and implemented.

## 2. Proposed Modification

In order to give effect to the CER's direction, and to ensure the correct billing of Shippers in accordance with two distinct tariffs, it is proposed to establish two distinct entry points, at which the existing Code rules in relation to capacity, nominations, allocations, overruns etc. will apply as normal. The key points to note in relation to the proposal are listed below:

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%)

The purpose of this sub-division is to ensure that the capacity booked and flows nominated by Shippers at both Entry Points in aggregate do not exceed what can physically be delivered at the two points in aggregate. The proposed split is based the forecast storage to production booking ratio for gas year 15/16<sup>1</sup>. Respondents are invited to submit views regarding the appropriateness or otherwise of the proposed ratio.

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.

### **3. Estimated System Impacts, Costs, and Implementation Timelines**

The Transporter’s IT system (GTMS) would require amendment to establish two new Entry Points, with individual configurable attributes as follows:

- Technical capacity; and
- Capacity tariff

Standard functionality which previously applied to the Inch Entry Point will then be applied to each of the newly established points.

Following CER approval of the business rules, IT development work can commence and it is estimated that a period of 4 months will be required to design, build, test and implement the IT solution. This is an indicative estimate and is subject to change should the final approved business rules differ significantly from the initial business rules proposal. An indicative estimate of the implementation timeline is shown below:

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<sup>1</sup> See section 5.4 of Decision Paper CER/15/140

Item	Date
<b>Proposal Form</b>	2 September 2015
<b>Business Rules for consultation</b>	16 - 30 October 2015
<b>Initial Modification Report</b>	16 - 30 October
<b>Revised Business Rules for CER</b>	13 November 2015
<b>Final Modification Report for CER</b>	13 November 2015
<b>CER Approval of Business Rules</b>	<b>20 November 2015</b>
<b>Legal Drafting for Consultation</b>	4 - 18 December 2015
<b>Revised Legal Drafting</b>	8 January 2016
<b>CER Approval of Legal Drafting</b>	<b>15 January 2016</b>
<b>Implementation Date</b>	<b>1 April 2016</b>

#### **4. Summary of Forum discussions**

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.

#### **5. Transporter's Assessment of the Proposed Modification**

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

#### **6. Consultation period in respect of IMR**

Comments in respect of this Initial Modification Report and/or the associated business rules may be submitted to [MarketDevelopment@GasNetworks.ie](mailto:MarketDevelopment@GasNetworks.ie) by close of business on 30 October 2015.