Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

CODE OF OPERATIONS

NOTICE TO SHIPPERS

PURSUANT TO PART I SECTION 1.3 OF THE CODE OF OPERATIONS

PROPOSED MODIFICATION

CODE MODIFICATION PROPOSAL A074 CHANGES TO DAILY IMBALANCE CHARGES: SECOND TIER IMBALANCE

COMMISSION RATIONALE

Pursuant to Section 13 (1) of the Gas (Interim) (Regulation) Act, 2002, the Commission approved Code Modification A074 "Changes to Daily Imbalance Charges: Second Tier Imbalance Price". This approved modification came into effect on 1st September 2016. The rationale is set out below.

(1) Incentivise Shippers to Balance their Portfolio

The primary purpose of the Balancing regime is to incentivise Shippers to balance their own individual portfolios. This requirement is set out in Article 2, Regulation 312/2014 EC[1] which states that;

"network users shall be responsible to balance their balancing portfolios in order to minimise the need for transmission system operators to undertake balancing actions set out under this Regulation".

[1] Commission Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks

In circumstances where Shippers leave the gas system extremely long[2] this indicates that the incentive to balance individual portfolios may not be sufficiently robust and required amendment. As such, to better incentivise Shippers to balance their individual portfolio, the Commission has accepted the Transporter's proposal to amend the second tier imbalance multipliers. Whilst the CER recognised at that time, that the amendment may not result in optimal Shipper behaviour, at all times, in light of the current limited balancing mechanisms available, the amendment of the multipliers were a necessary and proportionate response to Shipper behaviour as evidenced in summer 2016.

(2) Minimise the Disbursement account

The disbursement account is the mechanism that the Transporter utilities for balancing arrangements. The disbursement account is cleared according to Shippers nominations resulting in all Shippers neutralising the costs incurred by the Transporter even in circumstances where a small number of Shippers are contributing to the Transporter taking balancing actions. Where Shippers are incentivised to balance their individual portfolios then the residual balancing that the Transporter is required to do may fall and therefore so will the charges incurred by the disbursement account.

Therefore, the proposal to amend the Second Tier imbalances cashout prices from 0.95/1.05 to 0.75/1.25 is intended to have a positive effect on the disbursement account.

(3) Shipper behaviour and Balancing Regime

Shippers have legitimate concerns that a more enduring Balancing question has not been resolved by the Transporter, and that the ability of Shippers to balance their portfolio is hindered by the lack of flexibility tools available. The Commission notes that the more enduring Balancing regime is being scoped by the Transporter at present and progress is being made.

As part of the overall Balancing framework, the Commission will consider *inter alia* the role of tolerances and whether there is a requirement to either modify or phase out tolerance levels entirely. This may include a revision to the tolerance multipliers where appropriate. In particular, the Commission notes that the provisions of the Balancing Network Code, allow for tolerances to be applied in cases where network users do not have access to a short term wholesale gas market that has sufficient liquidity and that such tolerances should only be to the extent necessary. As

[2] On the 9th July 15 GWh was left on the GNI system. By comparison a Peak day is 204 GWh

such, the Commission will monitor the Balancing regime and its development under a Trading Platform arrangement to assess the success or otherwise of the regime and consider the tolerances within the scope of such a review.