

Our date
2016-07-219

Our reference
A074 Changes to Daily Imbalance Charges: Second Tier Imbalance Price



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Gas Networks Ireland
Attn.: Andrew Kelly
P.O.Box 51, Gasworks Road
Cork
Republic Of Ireland

Dear Andrew,

Statoil welcomes the opportunity to respond to GNI's consultation for A074 Changes to Daily Imbalance Charges: Second Tier Imbalance Price. It is disappointing that on the day the consultation closes that more data has been made available to shippers by GNI. Statoil strongly opposes this modification and will outline the reasons why below.

Statoil has been an active member of the balancing workshops along with IOOA and have presented a number of solutions to assist GNI with implementing The Balancing Network Code (BAL NC) in advance of 2019. We remain willing to continue to work on this process but feel disappointed the main take away from the significant amount of work done so far is a proposal to increase 2nd tier multipliers.

We feel the proposed increase in 2nd tier imbalance price will not change shipper behaviour as the modification is intended to do. There continues to be a lack of balancing tools available to Irish Shippers to manage their imbalances particularly on days where demand is at extremes. We would like to see the methodology behind how GNI came to arrive at the new multipliers as it feels arbitrary to say the least. The perceived benefits of reducing the amount of money spent by GNI to cash out shippers will not be achieved by implementing this modification. Only when GNI implement BAL NC with a full range of balancing tools will this be achieved. I raised the comment in the code mod meeting on 13th July that GNI were treating the symptom of the problem rather than the cause and this modification reinforces that view.

Statoil remains supportive of the proposed Trading/Balancing platform for IBP and we are disappointed that GNI hasn't put this at the forefront of balancing at the IBP going forward. This would enable a market based solution for GNI and shippers to flourish and provide genuine market signals for IBP. In IOOA's presentation given by IOOA on 20th April we provided some context on why we felt the removal of tolerances would help assist shippers towards using the platform to balance thus enhancing liquidity. This modification is going the opposite way and will not solve the problems GNI has in balancing the system at present.

Reference the Balancing Contract, we still believe as per our previous comments this should only be used as a last resort and the new platform should be supported and implemented urgently. The long overdue implementation of VRF has been successful for shippers but it remains the only balancing tool open to most.

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Statoil is very concerned the consultation closes on 29th July yet there is a proposed implementation date of 1st August!! This leaves insufficient time for review of the responses and this extremely tight timescale goes completely against the usual process of discussing the responses at the code mod forum with views from GNI and CER around the next steps. In view of this sub optimal process we would strongly urge any changes of this nature are delayed until 1st November at the earliest to ensure due process is followed and to allow time to identify changes in shipper behaviour due to the Corrib commercial operation outlined.

We would also like to say that we feel the annual imbalance settlement from GNI is unfair in light of monthly invoicing for capacity charges and we would like this to become a monthly process. We would be interested to hear your views on this subject and if you feel a code modification would have to be raised to facilitate this?

It is both Statoil & IOOA view that our position remains the same as at 20th April workshop and our previous response to your Balancing Options Assessment from 15th Feb 2016.

Please let me know if you have any questions

Kind regards

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