

Code Modification Forum Meeting Minutes

9 December 2015

*Location: The Ashling Hotel, Dublin*

<b>Attendees</b>		
	<b>Name</b>	<b>Representing</b>
1	Aidan Hogan	GNI
2	Conor Long	GNI
3	Colm Ó Gormáin	CER
4	Sarah McCauley	CER
5	Lisa Fahy	SSE
6	Kevin Murray	BGE
7	Avian Egan	GNI
8	Warren Deacon	ESB
9	Paul Dewhurst	Statoil
10	Mark Cosgrove	Statoil
11	Bryan Hennessy	Vayu
12	Dermot O’Kane	Energy Broking Ireland
13	Martin Regan	Energy Broking Ireland
14	Brian McGlinchey	Kinsale Energy
15	Charles Shier	Bord na Móna
16	Henk Kreuze	Vermilion
17	Graham Wilkins	Tynagh
18	Keith Deacon	Tynagh
19	Derek Scully	Energia

## 1. Approval of Previous Minutes

- The minutes of the Code Modification Forum of the 4 November were agreed and approved.
- For supporting information to be read in conjunction with these minutes, please see the slides presented at this meeting.

## 2. Review of Action Items

- The actions from the previous Code Modification Forum of 4 November were reviewed and discussed.
- The Transporter gave an update on the open actions and those actions which have been completed as per the accompanying slides.

## 3. EU Network Code Communications Update

- The Transporter delivered an update to the drafting of a consolidated version 5.0 of the Code of Operations, which is proposed to be issued in January 2016. This will include all EU Network Code related modifications approved to date.
- The Transporter outlined a list of potential deliverables as part of phase 2 of the EU Network Code implementation project. The Transporter noted that as the potential deliverables had not yet been finalised, this was not an exhaustive or complete list.

## 4. Code Modification Proposal A069 '*Back-Up Capacity Arrangements Under New Tariffing Regime*'

- The Transporter outlined the timeline of the Code Modification Proposal to date, highlighting the various occasions that consultations and discussions had taken place.
- The Transporter presented a summary of its assessment of the modification proposal, and outlined some of the concerns and responses as included in the Initial Modification Report which is currently open for consultation.
- The Transporter outlined the outcome of its EU Network Code review as per the Initial Modification Report, highlighting some of the potential challenges that may affect the implementation of the Modification:
  - No explicit prohibition of back-up capacity in Capacity Allocation Mechanism Network Code, but a number of practical, legal and contractual challenges arose;
  - Some general principles regarding third party access, non-discrimination and cross-subsidisation in the event of a discount/rebate of any kind being applied to capacity at a back-up entry point arising from Directive 2009/73/EC (Art 32) & Regulation EC 715/2009.
- An industry participant queried whether the disaggregation of tariffs or capacity substitution options had been assessed from a NC compliance perspective, and pointed out that given there is already a commodity tariff disaggregating the tariffs should be compliant.

- The Transporter clarified that its compliance review had not assessed the impact of the modification from a tariff point of view.
- The CER noted that the participant was correct regarding a commodity tariff, but that it may also take into account the pending Tariff Network Code. CER also noted that the product should be considered to assess how it fitted in with other available products, and that the scope of the product being proposed required further bilateral discussions with industry.
- An industry participant stated their belief that the Tariff NC is a number of years from publishing as yet, and so should not have a large bearing on the decision.
- The Transporter presented a summary of the Transporter's Assessment as per the Initial Modification Report, under three main headings;

#### **Scope**

- The Transporter pointed out that there appeared to be two separate issues addressed in the Modification, which could be separated into 'Back-up capacity' issues, and 'tariffing issues', and proposes that tariff issues be treated separately to the Code Modification Process.

#### **Access**

- The Transporter stated its belief that as there is no barrier to shippers acquiring short term capacity at alternative entry points, and as such does not support a dedicated 'back-up' capacity product.

#### **Price**

- The Transporter does not support the application of a rebate/discount to capacity acquired at a back up entry point, citing non-discrimination considerations.
- Two industry participants pointed out that given the amount of capacity at Moffat, it is not foreseen that any shipper would pay more than the reserve price for a number of years.
- The Transporter agreed that this is likely to be the case for a number of years from a practical point of view, but stated that any modification would still need to be compliant with the EU Network Codes.
- The modification proposer committed to clarify further its original intention by way of written response to the consultation. However they also emphasised the intention the network users should not have to pay the 'smeared tariff' twice.
- On the issue of the scope of the modification in general, there were differing views as to how onshore and offshore outages should be addressed. The Transporter suggested that the proposer and other industry participants could utilise their responses to the Initial Modification Report to clarify their positions.
- The next steps in relation to the modification were agreed by the Forum as follows:
  - CER to review IMR and Shipper responses to IMR
  - CER will invite Shippers to discuss the modification bilaterally in January 2016
  - CER will issue a decision subsequently

## 5. Code Modification A070 'Implementation of the Inch Storage Entry Point'

- The Transporter outlined the current status of this Modification as per the slides and advised that the estimated cost of systemisation was between €63,000 and €84,000.
- A number of industry participants stated their opinion that they felt the cost was too high to justify systemisation, and that given the projected cessation of storage activities the interim process which is currently in place would suffice.
- The Transporter queried whether participants thought there was a risk with the manual process that shippers may enter a booking incorrectly, to which industry participants indicated that they felt this was not enough of a risk to justify systemisation.
- The Transporter stated that it was of a similar opinion, and would state as much in a Final Modification Report which it would issue in the next number of days.
- The CER clarified that the legal drafting required to give effect to the CER's Decision would still be progressed.
- The Transporter briefly outlined again the Interim Solution process which is currently in place.

ID	Action	Responsibility	Date Raised	Delivery Date
C459	The Transporter will issue a Final Modification Report on A070 to the CER and industry.	Transporter	09/12/15	14/12/2015

## 6. Corrib Update

- The Transporter gave an update on developments since the 4th November 2015 Code Modification Forum as per the slides.
- The Transporter is reviewing the provisions in the Code of Operations for Entry Point Transfers, and presented an example of a potential charge to a shipper who availed of an Entry Point Transfer.
- The Transporter requested that industry review the Entry Point Transfers as currently set out in the Code of Operations and revert with any queries or concerns prior to the next Code Modification Forum.
- The Transporter added that representatives of the Finance/Commercial Team would attend the next Code Modification Forum to discuss the application of the current Entry Point Transfer process.

ID	Action	Responsibility	Date Raised	Delivery Date
C460	Industry are to review the Entry Point Transfer arrangements in the	Industry	09/12/15	27/01/2016

	Code of Operations and revert to the Transporter with any comments.			
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## 7. Virtual Reverse Flow

- The Transporter delivered an update to the interim VRF product details which had been discussed at the previous Code Modification Forum on 4<sup>th</sup> November.
- An industry participant queried the previously discussed April 2016 date for the Enhanced VRF product, and whether it was still valid.
- The Transporter stated that as per the Code Modification Forum on the 4<sup>th</sup> November it did not consider it feasible to develop the additional functionality of the Enhanced product for April 2016. The CER stated that the Transporter should consider communicating the availability date of the within day functionality to the Forum as soon as this was known internally. GNI committed to communicating the date of the enhanced product as soon as practicable.
- An industry participant queried what powers the CER had available to it when the Transporter was unable to deliver as mandated by the CER, considering that the CER had directed the Transporter to have the Enhanced product ready for April 2016.
- The CER acknowledged the query and committed to considering it internally.
- An industry participant stated that the Transporter didn't make it clear in sufficient time that the April 2016 date wasn't achievable.
- The Transporter stepped through the details of the interim product as per the slides, referencing the Business Rules as published on 8<sup>th</sup> December and stated that the interim product would be delivered by February/March 2016.
- The Transporter made some clarifications in response to industry queries.
- An industry participant queried the details of some of the Business Rules, and the Transporter committed to clarifying these details and reissuing the Business Rules.
- The Transporter stated that work on developing full within-day functionality is being carried out in parallel with the development of the interim product, and it hoped to have a date of implementation at the next Code Modification Forum.

ID	Action	Responsibility	Date Raised	Delivery Date
C461	The CER will consider the query raised regarding the direction issued to the Transporter.	CER	09/12/15	27/01/2016
C462	The Transporter committed to clarifying some issues with the interim VRF Business Rules and reissuing these to industry.	Transporter	09/12/15	16/12/2016

C463	The Transporter will communicate the availability date of the within day functionality to the Forum as soon as possible.	Transporter	09/12/15	ASAP
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## 8. Financial Security

- The Transporter presented some of the changes to the draft Financial Security Policy which was consulted on from 6-20 November 2015, and summarised the written responses. Two of these were relatively minor requests, to which the Transporter agreed. A third response was more significant, requesting that the credit ratings stipulated in the Financial Security Policy be reduced.
- The Transporter stated that it recognised Shipper concerns regarding credit rating levels and proposed dropping credit ratings to A- (from AA).
- Two Industry participants made a number of arguments as to why this was still not low enough:
  - Clarified that the originally proposed ratings (AA) made it impossible (rather than merely difficult) to get Letters of Credit (LoC) from an Irish bank, while the newly proposed ratings (A-) still did not go far enough, bringing approximately 5 banks of a wider pool of 30 into play.
  - Highlighted that when choosing from a small pool such as this, banks can and do charge significant premiums on LoCs and also charges for changes to LoCs are significant.
  - Queried why credit rating levels for the gas market are so much higher than those imposed by SEMO for the electricity market, citing their opinion that SEMO's operating risk would be much higher than the Transporters (CER noted that gas market much smaller than electricity market so comparison may not be directly analogous).
  - Mentioned that SEMO has a prescribed rating for banks, but if a bank has assets in excess of €1 bn, then the required rating is set 5 levels below this.
  - Suggested that if the Transporter proposes sticking to the currently proposed A-rating, it should provide clear reasoning for this stance
  - Also questioned the Transporter's rationale for having lower ratings for counterparties as opposed to banks – noted that this did not seem to make sense given that if one bank fails, another can step in but this is not the case if a parent company fails
  - The Transporter clarified that it recognised the challenges facing Shippers and the proposed reduction was reflective of this. However, any further reduction would need to be considered further by the Transporter.
  - The CER pointed out that the new proposed levels were now in line with the minimum credit rating requirements across the entire Ervia group, and that this issue may need to be discussed at a broader level than just the gas market.
- The Transporter committed to considering the points raised by Industry and suggested that it may be useful for the Transporter to discuss the issues raised at the meeting directly with the industry participants that raised them in order to better understand the issues at play.

- An industry participant queried how the 3 business day ‘grace’ period in which a shipper must increase their credit limit following a breach of that limit is implemented. The participant queried whether the 3 business day window applies on a fixed basis from the first day a shipper exceeds their credit limit.
- The Transporter committed to reverting to industry clarifying this point.

<b>ID</b>	<b>Action</b>	<b>Responsibility</b>	<b>Date Raised</b>	<b>Delivery Date</b>
C464	The Transporter will consider the concerns raised by industry in relation to credit level ratings. It will also discuss the issues directly with industry participants where necessary.	Transporter	09/12/15	27/01/2016
C465	The Transporter will clarify the implementation of the 3 business day ‘grace’ period when a shipper breaches their credit limit	Transporter	09/12/15	27/01/2016

## 9. Gas/Electricity Interactions

- This item was added to the agenda as a standing item, and a brief discussion took place in relation to it.
- An industry participant mentioned that a workshop had taken place recently on gas & electricity interactions which was attended by industry, the CER and the Transporter.
- Among the items that emerged from the discussions were:
  - A need for flexibility for shippers who require gas at short notice.
  - The closing of the renomination window at 02.00 within day is an issue for shippers who are required to consume large quantities of gas between 02.00-05.00.
  - Long term bookings.
- Two follow up workshops are planned. The CER requested that the outcomes of these should be communicated to the Forum.

## 10. Any Other Business

### **Balancing Network Code Implementation**

- The Transporter presented slides on the Balancing Network Code with the intent to recap the background and objectives of the Network Code.

- The Transporter outlined some initial proposals in relation to implementing the Balancing Network Code, including:
  - Some actions it is taking to improve liquidity, such as taking smaller and more frequent balancing actions.
  - The Transporter stated that a Trading Platform Feasibility Study would be issued in January 2016.
  - The Transporter outlined the schedule of Interim Measures Reports, as well as an indicative work plan for achieving compliance with the Balancing Network Code by April 2019.
- An industry participant queried the proposal for the Interim Measures Reports to use an April-April reporting period as opposed to October-October to coincide with the Gas Year.
- The Transporter agreed this was a fair question, and stated that it followed on the initiation of the Interim Measures Report in April 2015. The Transporter stressed that the work plan was an initial proposal only.
- An industry participant queried what criteria the TSO would use for taking balancing actions, and how it might provide industry with updates relating to the system balancing status.
- An industry participant stated the need to incorporate Gas/Electric interactions into the discussions on implementing the Balancing Network Code, citing that if imbalance cash out prices and tolerances are amended further, existing gas/electricity issues become ever more critical.
- The Transporter stated its desire to receive industry's views on proposed work plan, and requested that any comments on the slides as presented be submitted prior to the Christmas Break in order to be taken into consideration in the Trading Platform Feasibility Study due in January 2016.

### **Energy Broking Ireland Slides**

- Energy Broking Ireland presented an update on their trading platform as per the attached slides.

<b>ID</b>	<b>Action</b>	<b>Responsibility</b>	<b>Date Raised</b>	<b>Delivery Date</b>
C466	The Transporter requested that shippers submit any comments they have about the Balancing NC slides as presented to the Transporter prior to the Christmas break.	Industry	09/12/15	24/12/2015

### **Implied Nomination Flow Rate (INFR)**

- The INFR check which is currently in the Code of Operations but not applied in practice, arose in the course of discussions of a number of the agenda items at this meeting.

- The Transporter stated that systemisation of an Implied Nomination Flow Rate (INFR) check will be delivered to coincide with software release in February/March.
- The Transporter outlined that this check is already being applied by NGG, so for all nominations against bundled capacity there is already an INFR check in place.
- The Forum agreed to add this item to the agenda at the next Code Modification Forum, under the gas/electricity interactions agenda item.

<b>ID</b>	<b>Action</b>	<b>Responsibility</b>	<b>Date Raised</b>	<b>Delivery Date</b>
C467	The Forum agreed to add the INFR check to the agenda for the next Code Modification Forum.	Transporter	09/12/15	27/01/2016

## **11. Administration**

- The next Code Modification Forum date was agreed as the 27<sup>th</sup> January 2015 in Cork City, at a location to be determined.

**Action Log**

Action Ref	Action	Responsible	Date Raised	Status	Response Date	Expected Delivery Date	Priority
C259	The Transporter is to issue letters to all End Users requesting that they sign End User Agreements.	Transporter	29/11/12	Transporter to issue update at Dec 2015 Code Modification Forum.	9/12/2015	Q1 2016	Low
C404	The Transporter is to carry out a Trading platform Feasibility Study and submit its report to the CER following Industry consultation in September 2015.	Transporter	22/04/2015	The Transporter delivered an update at the 9 December CMF		January 2016	Medium
C452	The Transporter committed to producing a new version 5.0 of the Code of Operations	Transporter	4/11/2015	Open		31/12/2015	Medium
C458	Industry are to contact their KAM's if they wish to register at the Bellanaboy Entry Point.	Industry	4/11/2015	Open		30/11/2015	Low
C459	The Transporter will issue a Final Modification Report on A070 to the CER and industry.	Transporter	9/12/2015	Open		14/12/2015	Low
C460	Industry are to review the Entry Point Transfer arrangements in the Code of Operations and revert to the Transporter with any comments.	Industry	9/12/2015	Open		27/01/2016	Medium
C461	The CER will consider the query raised regarding the direction issued to the Transporter.	CER	9/12/2015	Open		January 2015	Medium

Action Ref	Action	Responsible	Date Raised	Status	Response Date	Expected Delivery Date	Priority
C462	The Transporter committed to clarifying some issues with the interim VRF Business Rules and reissuing these to industry.	Transporter	9/12/2015	Open		16/12/2015	High
C463	The Transporter will communicate the availability date of the within day functionality to the Forum as soon as possible.	Transporter	9/12/2015	Open			High
C464	The Transporter will consider the concerns raised by industry in relation to credit level ratings. It will also discuss the issues directly with industry participants where necessary.	Transporter	9/12/2015	Open		27/01/2016	High
C465	The Transporter will clarify the implementation of the 3 business day 'grace' period when a shipper breaches their credit limit	Transporter	9/12/2015	Open		27/01/2016	Medium
C466	The Transporter requested that shippers submit any comments they have about the Balancing NC slides as presented to the Transporter prior to the Christmas break.	Industry	9/12/2015	Open		24/12/2015	High
C467	The Forum agreed to add the INFR check to the agenda for the next Code Modification Forum.	Transporter	9/12/2015	Open		27/01/2016	Medium