

Code Modification Forum Meeting Minutes

19 August 2015

Location: The Imperial Hotel, Cork

Attendees		
	Name	Representing
1	Jack O'Connell	Advisor to the CER
2	Kevin Murray	Bord Gais Energy
3	John Melvin	CER
4	Richard Harper	Ceres Energy for Vermilion
5	Paul Hoey	Electric Ireland
6	Patrick Keating	Electric Ireland
7	Danny Mills	Electric Ireland
8	Martin Regan	Energy Broking Ireland
9	Warren Deacon	ESB GWM
10	Avian Egan	Gas Networks Ireland
11	Ken Galloway	Gas Networks Ireland
12	Aidan Hogan	Gas Networks Ireland
13	Kieran O'Sullivan	Gas Networks Ireland
14	Maurice Keane (Partial)	Gas Networks Ireland
15	Kevin O'Keefe (Partial)	Gas Networks Ireland
16	Denis Twomey (Partial)	Gas Networks Ireland
17	Kieron Carroll	Kinsale Energy
18	Brian McGlinchey	Kinsale Energy
19	Paul Barnett	Manx Utilities
20	Kim Kennington	Manx Utilities
21	Lisa Fahy	SSE
22	Alan Scott	SSE
23	Mark Cosgrove	Statoil
24	Simon Shepherd	Statoil
25	Paul McElvanna (Partial by phone)	Tynagh Energy
26	Bryan Hennessy	Vayu
27	Henk Kreuze	Vermilion

1. Code Modification Forum Minutes, Actions & Presentation Slides

- The minutes of the Code Modification Forum of the 22nd July were agreed and approved.
- The open actions from the meeting of the 22nd July were reviewed and discussed with most being referred to topics to be discussed later in the meeting.
- For supporting information to be read in conjunction with these minutes, please see the slides presented at this meeting.

2. Project Communications and Training

EU Network Code Implementation Project Update

Code Modification Proposals update

- The Transporter presented an overview of the status of the code modifications still being considered and reported that the business rules for all but one of the modifications had now been approved. The business rules that have been approved by the CER are as follows:

Modification Number	Title
A062	Capacity Allocation Mechanisms at Interconnection Points
A063	Nominations, Imbalance Charges, & Allocations
A064	Virtual Reverse Flow
A065	Financial Security Policy amendments arising from introduction of Capacity Allocation Mechanisms
A066	EU Network Code Implementation: Transitional Arrangements
A067	Congestion Management Procedures

- The business rules for code modification A068: Balancing: EU Network Code Implementation are being considered by the CER and are expected to be approved very soon.
- The legal drafting to meet the needs of the various modification proposals are in different states of development as follows:

Code Section	Associated Business Rules	Status
Part C & Part F	A062, A064, A066	CER Approval is imminent
Part D	A063	Transporter to submit final draft of the Business Rules to the CER with an expected approval date of 28 August.
Part E	A068	Being sent out for consultation until the 4 th September with CER approval expected by the 18 th September.
Parts A, B, G, H, I	A067 for Part H	This section of the legal drafting is to include all of the incidental changes generated by all modifications that have not been covered in other sections of the Code.

PRISMA

- The Transporter reported that with the change of Transporter from Gaslink to Gas Networks Ireland on the 1st August, PRISMA has now completed the transfer of all references to Gaslink on the platform to Gas Networks Ireland. This transfer also included the transfer of all Gaslink registered shippers to Gas Networks Ireland.
- The Transporter also reported that at its request, PRISMA had agreed to offer a one day training session in Dublin for future users of the system. Industry participants were strongly encouraged to avail of this training and were informed that places on the course are limited and will be allocated on a first come, first served basis.

GTMS Shipper training and system testing

- The Transporter informed market participants that eleven shippers have been in contact to arrange one-to-one GTMS training. These sessions are being scheduled to take place in September.

- The Transporter also noted that participation in this GTMS training is a mandatory obligation under the Market Assurance process. Shippers who have not yet contacted the Transporter to arrange this training were encouraged to do so as soon as possible.
- It was also noted that samples of the new format XML files were issued to shippers on the 7th August to assist shippers with validating their back-end system readiness.

Transitional Arrangements, Capacity Booking and Nominations

- The Transporter notified the forum that as a result of a request from Industry, the transitional capacity arrangements will now be extended to also apply to long term exit capacity bookings.
- The Transporter reminded the forum that the last opportunity to make annual capacity bookings on GTMS will be 05:59 on 23 September 2015. Shippers also have the opportunity to purchase additional capacity to 30 September 2016 at a pro-rata annualized price where these additional bookings have effect between 1 October 2015 and 30 September 2016.
- Market participants were informed that if they wanted to voluntarily bundle existing capacity bookings, they would be required to apply to do so at least 60 days prior to the effective date of the capacity booking.
- A reminder was provided on the rules pertaining to the booking of capacity from 1 November 2015 under the new regime.
- The main points of the nominations presentation delivered at the July Code Modification Forum were re-iterated as a reminder for market participants on the main changes that will be occurring in the nominations processes.
- There were no questions or comments from market participants on the above topics.

3. Phase 2 Prioritisation Consultation

- The Transporter reported that there were a total of eight responses to the phase 2 prioritisation consultation initiated at the July Code Modification Forum.
- The three options for consideration in this consultation were:
 1. Implementation of the enhanced Virtual Reverse Flow (VRF) Product;
 2. Development of a Balancing/Trading Platform (“Increased Liquidity Measures”);
and
 3. Access to Twynholm as an Exit Point from the Irish Gas Network via the Gaslink\GNI Code of Operations.
- The results of the consultation were that 7 respondents selected the implementation of the Enhanced VRF product as their first choice while one respondent had selected the Trading Platform as their preferred choice. 7 respondents had selected the Trading Platform as their second choice with one respondent not expressing a second or third preference.
- Based on the results of the consultation, the CER directed that the Enhanced VRF product will be implemented for 1 April 2016.

4. Code Modification Proposals

Code Modification Proposals update

4.1 Code Modification Proposal A062 ‘Capacity Allocation Mechanisms (CAM)’

- The Transporter reported that the legal drafting consultation incorporating updates to *Part C ‘Capacity’* and *Part F ‘Administration’* of the Code was completed on the 1st July and an updated copy of the revised legal drafting was subsequently submitted to the CER with the following changes to Part C:
 - Correction of an incorrect reference to Unbundled Capacity in Part C Section 5.1.9;
 - Introduction of a provision to **align LDM Capacity Bookings with the gas year** similar to a provision made for Entry Capacity; and
 - Application of an **overrun tolerance** equal to the difference between a Shipper’s IP Allocation and its CQ **on a non-OBA day**, instead of calculating a variance percentage as per Section 11.3.4.
- The CER informed to the forum that it expected to approve this legal drafting within the coming days.

NEW ACTIONS

ID	Action	Responsibility	Date Raised	Delivery Date
C439	The CER is to review the Part C and Part F legal drafting with a view to approve.	Transporter	19/08/2015	August 2015

4.2 Code Modification Proposal A063 ‘Nominations, Imbalance Charges & Allocations: EU Network Code Implementation’

- The Transporter reported that the consultation on Part D of the legal drafting closed on Friday 14th August with one response seeking clarification on a number of drafting issues. These queries have been addressed directly with the respondent.

- The transporter reported that it will now send this legal drafting to the CER for approval with the aim to seek approval by the end of August.

NEW ACTIONS

ID	Action	Responsibility	Date Raised	Delivery Date
C440	The Transporter is to issue the Code Legal Drafting on Part D of the Code of Operations to the CER for approval.	Transporter	19/08/2015	August 2015

4.3 Code Modification Proposal A064 ‘Virtual Reverse Flow’(VRF)

- The Transporter responded to its action from the last Code Modification Forum to a query seeking confirmation that the OBA limit of 3.25GWh will have an effect on a shipper’s forward flow in the event that VRF nominations are interrupted to zero. In its response, the Transporter stated that it would work to ensure that forward flow shippers would not be adversely affected in the event of an interruption to zero of VRF. The Transporter also stated that it will not be able to interrupt VRF capacity back to zero after 2AM.
- A question was raised by a market participant on why there was a steering tolerance in the proposed system to which the Transporter responded that it is a requirement of the EU Network Codes and that the aim would be to steer to zero every day.
- The CER noted that the Transporter could move Capacity in and out of linepack as necessary and would not be putting the system into a state of imbalance intentionally.
- The issue of the 20GWh limit was raised again with a market participant expressing dissatisfaction with the fact that a reason for the limit was not adequately addressed in their opinion. The market participant’s opinion was that the limit is too low and the first mention of it being a safety limit was in the June forum.
- It was noted that 20GWh is an artificially low constraint and that if a large quantity of gas was coming across the Interconnector, prices for the reverse flow product could be driven higher in the PRISMA auction.
- The view was expressed that the concern is for this coming winter and the level of VRF that can be offered.
- A question was raised on whether the 20GWh limit was designed for an extreme scenario e.g. a cold weather day that wasn’t likely to happen very often?
- The Transporter agreed to review the decision making process in determining the 20GWh limit and the CER said that it would consider a separate meeting between the Transporter and interested parties to understand the 20GWh limit.

- The CER asked what information the Transporter could provide to help producers make a decision on VRF to which a market participant responded that it would be helpful to have projected demand for the following day.
- The Transporter responded that this information is available on the Transparency Platform.

NEW ACTIONS

ID	Action	Responsibility	Date Raised	Delivery Date
C441	The Transporter is to review the decision making process in determining the 20GWh limit and when complete organise a meeting of interested parties to discuss.	Transporter	19/08/2015	TBD

4.4 Code Modification Proposal A065 ‘Financial Security Policy Amendments - CAM NC’

- The Transporter reported that on the 24th July, the CER had issued an approval of the A065: Financial Security business rules and had also issued a direction for the Transporter to proceed with drafting the new policy.
- The Transporter informed the forum that this drafting has commenced with a consultation draft due to be issued to industry in September.
- The Transporter also noted that implementation of this new policy will not now take effect until a date yet to be determined in 2016.

4.5 Code Modification Proposal A066 ‘EU Network Code Transitional Arrangements’

- The Transporter informed the meeting that approval of the legal drafting pertaining to this code modification proposal, Parts C & F was imminent as discussed in the update on Code Modification Proposal A062: Capacity Allocation Mechanisms.
- The Transporter also reminded the forum of the transitional arrangements as outlined in the A066 Business Rules. These transitional arrangements commenced on 1 August 2015 and will remain active until 23 September 2015.
- The Transporter also reminded participants that they may voluntarily bundle capacity if they so desire with at least 60 days prior notice. Shippers will have the ability to bundle capacity that is effective up to and including the end of the Gas Year 2022 – 2023.

4.6 Code Modification Proposal A067 ‘Congestion Management Procedures’

- The Transporter reported that legal drafting of Part H of the Code of Operations is in development and is expected to be issued to Industry for consultation in September.
- There was no response or discussion from the forum attendees.
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4.7 Code Modification Proposal A068 ‘Balancing: EU Network Code Implementation’

- The Transporter reported that formal approval of the A068 Business Rules and a direction to proceed to legal drafting is imminent.
- It was reported that as part of its approval, the CER would direct that:
- The First Tier Imbalance Price (FTIP) multiplier will be set to 1.0 until 1 April 2016, as opposed to 1.2/0.98 as proposed in the business rules.
- It is expected that the legal drafting of Part E of the Code of Operations will be issued to industry for consultation by the 21st August 2015 with a two week consultation closing on the 4th September 2015.
- A market participant questioned why the FTIP will be 1.0 until April 2016 to which the CER responded that there were a number of reasons including:
 - The target date for the trading platform is 1 April 2016;
 - To help ease people into the new regime; and
 - Logistical, to ensure that the IT Systems are in place.

5. Update on Calorific Value (CV) by Gas Networks Ireland

- The Transporter gave a brief update to the Forum to confirm that the Corrib Gas Calorific Value (CV) fully complies with Section 1.1.1 of Part G (Technical) of the Code of Operations. The Corrib Gas Calorific Value is 37.78 Mj/m³ which is within the allowable range of 36.9 – 42.3 Mj/m³.
- It was also reported that the Corrib Gas Wobbe index of 49.31 Mj/m³ is within the allowable range of 47.2 – 51.41 Mj/m³.
- A discussion ensued over the requirement for shippers to convey key messages to their customers with respect to the Calorific Value and Wobbe Index with a request being made for shippers to notify their customers of significant changes to the Calorific Value and/or the Wobbe index.

6. New Code Modification Proposal A069: 'Back-up Capacity Arrangements under New Tariffing Regime'

- Code Modification '*A069: Back-up Capacity Arrangements under New Tariffing Regime*' was submitted by the Irish Offshore Operator's Association on the 31st July 2015.
- An IOOA representative gave a presentation on their proposal to the forum, the main points of which are:
- A new tariffing regime is being implemented from 1 October 2015.
- This new tariffing regime will result in each entry point having a primary tariff and a common adjustment tariff applied to all entry points. The sum of these two items will be the tariff for the entry point in question. IOOA reported that the indigenous producers will be most affected by these changes with their tariffs increasing between 409% and 675% in comparison to an increase of 118% for Moffat.
- This proposal seeks to ensure that shippers forced to book short term capacity at another entry point because there has been a reduction or cessation of supply on their long term booking only has to pay the short term multiplier (Daily/Quarterly/Monthly) of the primary entry tariff and not the aggregate tariff i.e. the shipper will not be required to pay the adjustment/smeared tariff for the short term capacity booking. It was stated that the adjustment/smeared tariff is a shortfall recovery mechanism on the primary tariff and IOOA believe that shippers should not have to pay this portion of the aggregated tariff twice.
- IOOA set an implementation date of 1 October 2015 and asked that it retrospective if not implemented by 1 October 2015.

- An example outlining the proposed change was presented and can be reviewed in the meeting slides.
- The CER responded to the presentation by questioning whether it would be considered discrimination if two shippers pay different rates for capacity at the same entry point on the same day?
- A market participant commented that if this modification proposal encouraged providers to do firm deals an Interconnection Point (IP), it would be a good thing.
- A number of questions were posed by a market participant as follows:
 - Would a shipper could get a refund from a producer in the event that the producer could not deliver gas?
 - Would this modification proposal only apply to instances where a shipper accessed short term capacity or would it also apply to situations where they accessed long term capacity?
- IOOA responded to the second question by stating that this would only apply to short term capacity.
- A market participant highlighted that there could be a distortion in the market because when competing in an auction, a shipper could be competing against a shipper who would potentially be receiving a 'rebate'.
- The word 'rebate' was used in the discussion but it was highlighted by a market participant that this is not a rebate as the shipper had already paid for the capacity.
- The CER asked that Market participants be allowed two weeks to respond to a consultation on this proposal and that it be discussed again at the next forum in light of the comments received.

7. Any other Business

Potential Code Modification Proposal

- The Transporter reported that under CER Decision CER/15/ 140, the CER had directed that there should be a storage and entry tariff applied at Inch.
- The Transporter stated that there are implementation issues and that the most prudent way to deal with it would be to initiate a code modification proposal to allow the creation of a new Storage Entry Point on GTMS. The aim is for this to be completed by 1 October 2015.
- The transporter stated that it was essential that Capacity Bookings related to Storage and Production were clearly identified.
- If they were not identified clearly the Transporter would not be able to bill separately for storage and production and that this could not be rectified in the future.

- Separate nominations and allocations should also be provided for Storage and Production and this required separate Storage and Productions points to be set up.
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- The Transporter stated it would require information from shippers to implement this direction to which a market participant stated that it would speak to the relevant shippers to ensure that they provide the required information to the Transporter.
- [the transporter took an action to raise a code modification to progress this issue]

VRF Registration Fee

- The CER stated that it had previously stated that there would not be a Registration Fee for VRF in the new Gas Year as the understanding was that PRISMA would not be able to handle this fee. This view has now changed and the registration fee for the use of VRF will remain in place. The CER also stated that it believed there may be more users of VRF than last year.

A market participant questioned how shrinkage would be applied to VRF, stating that when it had used the VRF product previously, shrinkage was charged?

Administration

- The Transporter confirmed that the next Code Modification Forum will be held in:

The Hilton Hotel,
Kilmainham,
Dublin.

On Wednesday 16th September at 10:30 AM

- The subsequent meeting will be held in Cork on the 14th October at a location to be determined.

Action Log

Action Ref	Action	Responsible	Date Raised	Title	Response Date	Expected Delivery Date
C259	The Transporter is to issue letters to all End Users requesting that they sign End User Agreements.	Transporter	29/11/12	End User Agreements		Q4 2015
C282	The CER is to provide the Forum with a high level update of CAG at the next forum meeting.	CER	14/03/13	CAG		24/09/2014
C383	The Transporter is to consider issuing an NDM accuracy of forecasting report before Oct 2015.	Transporter	22/10/14	Code Mod A063 'Noms, Imbalances & Allocations'		October 2015
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	Code Mod A063 'Noms, Imbalances & Allocations'		September 2015
C409	The Transporter is to ensure that the concept of an Agent acting on behalf of a shipper is protected in legal drafting currently in development.	Transporter	22/04/2015	Code Mod A066 Transitional Arrangements		Next Code Mod Forum
C419	The Transporter is to reply to IOOA's letter and to the spreadsheet IOOA submitted proposing a methodology to implement Enhanced VRF by October 2015.	Transporter	03/06/2015	Code Mod A064 VRF		Next Code Mod Forum
C428	Add Gas/Electricity Interactions as a standing item to the Code Modification Forum Agenda.	Transporter	22/07/2015	General		Next Code Mod Forum
C429	The Transporter is to determine whether a shipper would receive a Confirmed Quantity (CQ) of 0 if one of the parties in a Double Sided Nomination (DSN) renominated and its counterparty did not.	Transporter	22/07/2015	Code Mod A063 'Noms, Imbalances & Allocations'		July 2015

C434	<p>The Transporter is to:</p> <p>Assess the feasibility of an interim increase in the amount of VRF currently available; and</p> <p>explain the logic behind the current VRF rules including why shrinkage is applied to VRF, why in the case of an interruption, VRF can be interrupted to 0 and the justification for the 20GWh limitation with a worked example</p> <p>Look at the existing VRF product to identify if more VRF capacity could be provided in the interim period before systemisation of the Enhanced VRF product is complete and whether or not a change could be made to the current situation where the Transporter interrupts to zero.</p>	Transporter	22/07/2015	Code Mod A064 VRF		Next Code Mod Forum
C435	The Transporter is to respond to the IOOA request seeking clarification on VRF costs.	Transporter	22/07/2015	Code Mod A064 VRF		Next Code Mod Forum
C437	The Transporter is to proceed with the Code Legal Drafting to implement the changes to the Congestion Management Procedures.	Transporter	22/07/2015	Code Mod A067 'CMP'		August 2015
C438	The Transporter is to issue final modification report on Code Modification A068 'Balancing: EU Network Code implementation'.	Transporter	22/07/2015	Code Mod A068 'Balancing'		End of July
C439	The CER is to review the Part C and Part F legal drafting with a view to approve.	Transporter	19/08/2015	Legal Drafting		August 2015

C440	The Transporter is to issue the Code Legal Drafting on Part D of the Code of Operations to the CER for approval.	Transporter	19/08/2015	Part D Legal Drafting		August 2015
C441	The Transporter is to review the decision making process in determining the 20GWh limit and when complete organise a meeting of interested parties to discuss.	Transporter	19/08/2015	VRP		TBD