

Code Modification Forum Meeting Minutes

27 January 2016

Location: The Imperial Hotel, Cork

Attendees		
	Name	Representing
1	Aidan Hogan	GNI
2	Conor Long	GNI
3	Avian Egan	GNI
4	Kieran O'Sullivan (partial)	GNI
5	John Melvin	CER
6	Colm Ó Gormáin	CER
7	Sarah McCauley	CER
8	Graham Wilkins	Tynagh
9	Denis Twomey	GNI
10	Marion McCarthy	GNI
11	Brian O'Shea	BGE
12	Kevin Murray	BGE
13	Chris George	Gazprom
14	Martin Regan	Energy Broking Ireland
15	Dermot O'Kane	Energy Broking Ireland
16	Terry Burke	Statoil
17	Henk Kreuze	Vermilion
18	Kieron Carroll	KEL
19	Warren Deacon	ESB.
20	Danny Mills	Electric Ireland
21	Brian McGlinchey	Kinsale Energy
22	Mike Ronan	Aughinish Alumina
23	Paul Dudek (partial phone in)	SSE

1. Approval of Previous Minutes

- The minutes of the Code Modification Forum of the 9 December 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 9 December 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. The actions from the previous Code Modification Forum of 9 December were reviewed and discussed.

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 February 2016. This will include all EU Network Code related modifications approved to date.
- The Transporter noted that the first annual auctions on PRISMA take place on 7 March 2016, and advised any shippers with queries on the auction process to contact their Key Account Manager.
- The Transporter proposed to use the GY 15/16 annual tariff as the indicative tariff for GY 16/17, stated its intention to submit an interim proposal to the CER for the quarterly tariffs based on using the combination of the relevant monthly tariff multipliers which would apply for GY 16/17.
- The Transporter stated that analysis will then be progressed with a view to delivering an enduring quarterly tariff.
- An industry participant highlighted that the proposal to price quarterly products equal to the sum of its constituent monthly tariffs effectively meant that the likelihood of Shippers using quarterly products would be extremely low.
- An industry participant queried what level of confidence industry could have that the actual annual tariff for GY16/17 would not differ substantially from the indicative tariff (i.e. GY 15/16 tariff). The participant stated their concern about booking capacity at the annual auction in March, if the tariff were then to change at some stage following the auction.
- The CER stated the desire for tariff stability within price control periods which informs the price control models, and stated that it has no plans to change the tariff structure in advance of GY 16/17. The CER also noted that it has not yet received a formal proposal from the Transporter in respect of the above mentioned tariff proposals.
- The Transporter is to write to the CER with its interim proposal for quarterly tariffs.

ID	Action	Responsibility	Date Raised	Delivery Date
C468	The Transporter is to write to the CER with its interim proposal for quarterly tariffs.	Transporter	27/01/2016	08/02/2016

4. Code Modification Proposal A071 ‘*Alternative Capacity Arrangements in event of GNI Interruptions to Flows*’

- The modification proposer outlined the details of the proposed modification as laid out in the published slides, noting that the proposed implementation date of May 2016 was based on the assumption that modification did not require IT systemisation.
- The CER queried which capacity product an affected shipper would get a rebate for under the proposal, i.e. a rebate for the affected Entry Point or for the alternative Entry Point. The proposer clarified that it proposed that the cost of capacity at the alternative Entry Point (i.e. Moffat) be rebated to the affected shipper.
- The CER mentioned that such a proposal might need to be considered along with the EU Network Codes to ensure that it did not compromise any of the Regulations. Similarly, the Transporter queried whether it would be appropriate for multiple Shippers to compete in a capacity auction in circumstances where one Shipper is entitled to a rebate and another is not. Likewise the Transporter queried the impact on the secondary capacity market in circumstances where primary capacity is fully rebated.
- The Transporter queried whether the modification would be applicable on Maintenance Days as defined in the Code of Operations, to which the proposer stated that they believed it should. The Transporter stated its opinion that as a Reasonable Prudent Operator it should be allowed to maintain the network as it sees fit, also noting that the tariff structure is set up on a low risk low reward basis, and that shippers benefit from that.
- The proposer stated that, when flows into the system are restricted due to Transporter operational / maintenance issues, the Transporter is effectively interrupting a firm product. The proposer maintained that an interruptible product may be more appropriate in such situations. The Transporter noted that ‘firm’ capacity may indeed allow for such maintenance / operational interruptions.
- An industry participant stated its belief that the modification wouldn’t require any change to how the Transporter operates or maintains its system. The participant stated that the infrequent need for the modification shouldn’t affect the low risk, low reward system operated by the Transporter.
- Given that Transporter driven outages arise on an infrequent basis, the proposer stated its belief that the cost of applying the modification would be low, and that the proposal would incentivise the Transporter to carry out maintenance at off-peak times during summer months. The proposer also noted that a Shipper who is interrupted at one point may already have sufficient spare capacity booked at Moffat to meet its requirements, in which case there is no rebate required.

- One industry participant stated that it felt that this proposal had arisen from Code Modification A069, and that it had worked with the proposer on this modification A071, and that it supported the proposal.
- The Transporter stated that the proposed Code Modification A071 would be open to consultation until 10th February 2016.

5. Code Modification Proposal A069 ‘Back-Up Capacity Arrangements Under New Tariffing Regime’

- The Transporter outlined the timeline of the Code Modification Proposal to date.
- The CER stated that it had met with a number of shippers, some in favour of the proposal, some against. The CER stated that it had not arrived at a decision at this point, but that it would deliver a statement on the Modification proposal at the next Code Modification Forum.
- The CER noted that it understood that the proposal was being put forward on the basis of the changes to the tariff methodology included in the CER Decision Paper. However, the CER noted that the CER Decision Paper did not change the capacity/commodity split, but did change the tariffs seen at existing Entry Points. An industry participant stated that the price at the Inch Entry Point went up by a factor of 3.5.
- The underlying philosophy of the proposal, as well as its application were discussed again.
 - An industry participant stated its belief that utilising A069 for commercial reasons adds significant complexity to the proposal, and allows for potential gaming by producers.
 - The proposer responded that it is always the desire of producers to produce gas as much as possible, and therefore it is unlikely that a producer would stop producing gas to make use of the proposal.
 - The Transporter clarified that one participant sees the modification applying in the event of a production outage, while the proposer believes it should be implemented regardless of whether a production outage has occurred.
 - The Transporter reiterated that it sees the proposal as a tariffing issue, and not a Code issue. The proposer also stated its belief that the A069 is a specific tariffing issue, but felt that the Forum was the only available forum in which it could raise this issue.

ID	Action	Responsibility	Date Raised	Delivery Date
C469	The CER is to deliver a statement on the proposal at the next Code Modification Forum.	CER	27/01/2016	09/03/2016

6. Code Modification A070 *'Implementation of the Inch Storage Entry Point'*

- The Transporter stated that the CER had issued an Instruction to proceed with legal drafting of the Code Modification A070, and that the Transporter was doing so.
- The Transporter reiterated that as per discussions at the previous Code Modification Forum in December, Code Modification A070 would be implemented without systemisation. The Transporter queried whether there was any opposition to this approach, and none was forthcoming.
- The Transporter stated that the previously outlined interim solution would now be used on an enduring basis.

7. Corrib Update

- The Transporter gave an update on developments since the 9th December 2015 Code Modification Forum as per the slides.
- The Transporter stated that the current charges in the Code of Operations for Entry Point Transfers have been reviewed and outlined its proposal not to apply these charges in the event of an Entry Point Transfer to the Bellanaboy Entry Point.
- The Transporter stated its intention to raise a Code Modification Proposal to the Forum regarding same, which if approved would be backdated to take effect from 1 February 2016.
- The Transporter outlined the rationale behind the proposal as relating to the management of revenues and that the tariffing structure had now changed since this charge/credit was put in the Code of Operations.
- The example calculation from the previous Code Modification Forum was briefly discussed along with its implications for bookings. The Transporter offered to re-present the example.
- The Transporter outlined briefly the analysis carried out, pointing out that the charges or rebates that were applicable varied considerably based on the time of year that the Transfer was carried out, as well as other factors.
- The CER stated its belief that under the previous tariffing regime a transfer of Entry Capacity could create a variation in revenues and that's why the Entry Point Transfer charges/rebates were created.
- An industry participant queried the proposed timing of the implementation of the proposal, stating its understanding that no-one could transfer capacity to the Bellanaboy Entry Point until after commissioning of the Linkline was completed.
- The Transporter clarified that Entry Point Transfer could now take place at any time and up until 12 months after First Commercial Gas had been declared, and that this declaration would not take place until Commissioning was complete. The Shipper would need to accept the conditions under which the transfer occurred.
- The Transporter further clarified that the proposal was specific to the rules in the Code and the applications of the credits/charges.
- An industry participant requested an update on the Commissioning, which the Transporter committed to delivering at the next Code Modification Forum.

- The Transporter stated that the Code Mod would follow the process for all Code Modifications, and be fully transparent in line with the normal process.

ID	Action	Responsibility	Date Raised	Delivery Date
C470	The Transporter is to raise a formal Code Modification.	Transporter	27/01/2016	08/02/2016
C471	The Transporter committed to provide an update to the Forum on the Commissioning of the Linkline.	Transporter	27/01/2016	09/03/2016

8. Virtual Reverse Flow

- The Transporter delivered an update on the interim VRF product which had been discussed at the previous Code Modification Forum on 9th December, stating that it was ready for delivery in February 2016.
- The Transporter outlined that as stated at the previous Code Modification Forum in December 2015, an INFR check on forward flow shippers would be released as part of the interim VRF product, which was discussed further under the INFR agenda item.
- The Transporter also stated that a within-day renomination service would be delivered in April 2016, and outlined the details of the product as per the slides.
- The Transporter detailed an example of how the within-day product would work as per the slides, and requested that participants review the example and revert to the Transporter with any queries.
- An industry participant noted the approach taken by the Transporter in relation to the within-day service and stated that it may suggest alternative approaches.
- In response to a query, the Transporter clarified that the within-day service as outlined would be delivered in April 2016.
- An industry participant queried whether the within-day service could be modified following its release, to which the Transporter stated that use of the product would be monitored following its introduction, and that if necessary modifications could be made in the future.
- The Transporter outlined briefly the responses to the Interim VRF Business Rules, and addressed the queries as per the slides.
- An industry participant requested the CER's response to a query raised at the previous Code Modification Forum regarding the options available to the CER if the Transporter fails to deliver as directed by the CER.
- The CER stated that if the Transporter did not deliver as directed, the circumstances of each case would have to be assessed.

9. Financial Security

- The Transporter delivered an update on the systemisation of the Financial Security policy from the previously intended systemisation date of April 2016, and briefly outlined how that systemisation would work, as per the slides.
- The Transporter stated that each shipper would be entitled to a one-off excess credit application, which would be auto approved on the Transporters IT system, and would be valid for 3 business days.
- In response to a query at the previous Forum, the Transporter clarified that the 3 business days will be counted starting on the next business day after the approval of the application, and a shipper cannot make another application for additional credit until the previous excess has been resolved.
- The Transporter indicated that it was still investigating a previous proposal to lower credit rating levels from AA.
- The Transporter noted that an attendant at the previous Forum in December was unable to attend and had emailed the Transporter with its concerns and queries.

10. Gas/Electricity Interactions

- The Transporter outlined the background to the implementation of an INFR check as laid out in the Code of Operations, as well as the rationale for implementing the check.
- The Transporter showed two examples of how the INFR check would be implemented and requested that participants review these examples and contact the Transporter with any queries or comments.
- An industry participant noted that the NDM forecasts had been lowered within-day on a few occasions recently, and that the INFR check could affect shipper's ability to respond to these changes.
- The potential impact of INFR on power gen shippers was noted by a number of industry participants.
- The Transporter noted that it had received an email from an industry participant which had outlined that participants views on the adverse impact of INFR on power generation shippers.
- The Transporter outlined its desire to release the INFR and VRF systemisation as soon as possible, and requested that industry review the examples on the slides and submit comments to the Transporter.

11. Any Other Business

Balancing Network Code Implementation

- The Transporter presented a summary of the Balancing Options Assessment report which was published on 25 January. The report evaluates the options available to the Transporter under the Balancing Network Code for the purposes of carrying out its operational balancing activities and proposes an indicative schedule of activities for the remainder of the 'interim measures' period to April 2019.

- The report proposes a period of monitoring (IBP liquidity, impact of Corrib, new EBI trading platform) until mid-2017, before carrying out a cost benefit analysis upon which the ultimate decisions regarding 2019 compliance would be based.
- The Transporter encouraged Industry to submit written comments before the closure of the consultation period (15 February) as Industry feedback would be a critical input to the subsequent Interim Measures Report due for publication in June 2016.

12. Administration

- The Transporter requested that participants review the proposed dates for the 2016 Code Modification Forums as per the slide and respond with any issues.
- The next forum will take place in the Hilton Hotel Kilmainham, Dublin on 9th March.

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
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
C468	The Transporter is to write to the CER with its proposal on tariffs.	Transporter	27/01/2016	Open		08/02/2016	Medium
C469	The CER is deliver a statement on the A069 proposal at the next Code Modification Forum.	CER	27/01/2016	Open		08/02/2016	High
C470	The Transporter is to raise a formal Code Modification relating to Entry Point Transfers.	Transporter	27/01/2016	Open			

Action Ref	Action	Responsible	Date Raised	Status	Response Date	Expected Delivery Date	Priority
C471	The Transporter committed to provide an update to the Forum on the Commissioning of the Linkline.	Transporter	27/01/2016	Open			