



Gas  
Networks  
Ireland

# Code Modification Forum

**Ashling Hotel,**

**Dublin**

**Wednesday, 11 December 2019**

# Agenda

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1. Review of minutes from last meeting
2. Review of open actions
3. Update on Maintenance Activities
4. Brexit and ROI Gas Market – Update from Revenue
5. Code Modification Proposal A087- New Framework for Suppliers in PPM Market (for mention)
6. Code Modification Proposal A096/A096A – Data Sharing Agreement/Model Clauses to address a Hard Brexit (for mention)
7. Code Modification A099- CNG supply Point Capacity Setting
8. Status of Code Modification Proposals
9. Shipper Nominations
10. Action 571 – Close out of Disbursements Account
11. Shrinkage Gas Discussion
12. Gas and Electricity Interaction
13. Potential to increase the oxygen content at biomethane entry points to 1% on Transmission Network
14. AOB Items/ Meeting Schedule for 2020

# 1. Review of minutes from last meeting

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- Minutes of CMF meeting of 16 October were issued on 6 November 2019
- No comments were received

## 2. Review of open actions

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ID	Action	Responsibility	Status	Priority
C571	Transporter to examine timespan in settling each Shippers Disbursements Account position after the end of each Gas Year	Transporter	Propose to close	Medium
C572	Transporter to monitor on ongoing basis the adequacy of the initial 25% tolerance for RNG Entry points	Transporter	Open	High
C574	Shippers to forward Submission to CRU of their Post-I-SEM experiences of dead-band LDM capacity booking	Transporter	Propose to close	High
C575	Transporter to forward to CRU report on unsatisfactory IP Nomination behaviour during the outage at Ballanaboy during late September/early October 2019	Transporter	Open	High

### 3. Update on maintenance activities

Maintenance Programme Gas Year 2018/2019			
Date	Duration	Entry Points	Commentary
7th March 2019	1	Bellanaboy	Station testing, valve check and validations at Cappagh South. Deferred and combined with September date.
9th May 2019	1	Inch	Odourant injection system planned maintenance. Deferred to 13 <sup>th</sup> August but not expect to interrupt flow
4th Jul 2019	1	Moffat	Station testing, valve checks and validations at Beattock and Brighthouse Bay compressor station. Complete ahead of schedule as no interruption to the entry point was required
12th Sep 2019	1	Bellanaboy	ESD testing at the Corrib Terminal. Combined with the Corrib operator shut-down. Complete

# 2019/2020 Maintenance Days

## Maintenance Programme Gas Year 2019/2020

Date	Duration	Entry Points	Commentary
20 <sup>th</sup> May 2020	1	Bellanaboy	Station testing, valve check and validations at Cappagh South..
17 <sup>th</sup> June 2020	1	Inch	Odourant injection system planned maintenance. Dependant on flows (if any) from the point.
9 <sup>th</sup> Sep 2020	1	Bellanaboy	ESD testing at the Corrib Terminal . This will be brought forward to coincide with the planned shutdown by the Corrib operator in June/July.

## 4. Brexit and ROI Gas Market

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- Update

## 5. Code Mod A087- New Framework for Suppliers in PPM Market

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- Verbal update from GNI

## 6. A096 Data Sharing Agreement/A096A Model Clauses to address a Hard Brexit

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- A096 -Transporter Proposal – To provide for an updated data sharing regime between Transporter and Shippers to comply with provisions of Data Protection Act 2018 (implementing the General Data Protection Regulation (GDPR) (EU) 2016/679)
- A096A –Transporter Proposal – To provide for the transfer of personal data between the Transporter and Shippers based outside the European Economic Area (EEA) through the introduction and application of Model Clauses under a Model Clause Procedure. It is proposed to come into effect on or before the Brexit deadline of 31 October 2019
- Revised Legal drafting with deletion of 2 sub-sections from the original draft has been circulated.

## 7. Code Modification Proposal A099- CNG Supply Point Capacity Setting

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- Currently CNG in transport and CNG offtake sites are in an early developmental stage in Ireland. Gas volumes are low and highly variable
- CNG offtakes are classified as Daily Metered (DM) sites , regardless of actual consumption and , under this category, the SPC is set at the highest gas usage during the review period.
- This may result in CNG becoming cost prohibitive as capacity costs are based on the highest consumption day in a year and hinder the development of the CNG market, a significant driver in decarbonizing the transport sector
- Under this Code Modification Proposal it is proposed
  - that the SPC setting process for existing and new CNG offtakes will be reset on a three (3) monthly basis, based on a retrospective calculation of the peak (7) day rolling average for the 3 month review
  - that a Shipper at CNG Offtakes will not be liable for SPC Overrun Charges or ratcheting

## 8. Status of Code Modification Proposals

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Number	Title of Proposal	Proposer	Status
A087	New Framework for Suppliers in PPM Market	GNI	Live/ Implementation process review
A096	Data Sharing Agreement	GNI	Live/Direction
A096A	Model Clauses to address a Hard Brexit	GNI	Live/Direction
A099	CNG Supply Point Capacity Setting	GNI	Live/ Under review

## 9. Recent Shipper Nomination Behaviour

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- **Shipper A**
- We observe that GNI is more active on the trading platform since the end Sept/beginning Oct and this is welcome
- We are supportive of GNI trading and acting on this type of situation via trading and provision of timely signals to the market
- We are concerned that GNI operators (traders) may not be taking full information into account when posting prices on the platform e.g. the cost of daily import capacity, which can lead to taking the imbalance price being a better option for a Shipper (also considering the increased VRF tariff)
  - Observation of on screen activity looking at traded price bid/offer versus the imbalance price +transport
  - Taking imbalance price can be more attractive than trading with GNI for a Shipper
- GNI can clearly identify the individual Shippers who are the cause of the specific issues – we would suggest, if not already actioned:
  - As a first step address with them (on the day and afterwards)
  - NRA can also express its concerns to the Shipper(s) involved
  - Events should be brought to the Shipper forum and explained, as was done on 16 Oct – this kind of ‘interesting day’ presentation is very interesting and welcomed
  - Stopping a step before direct naming and shaming is highlighting simply that the same Shipper, or one or two Shippers, or Shippers in a certain category have been responsible – this approach has been helpful in NI, encouraging discussion amongst Shippers and engagement with the TSO

# IOOA input on Recent Shipper IP Nomination Behaviour

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- GNI notifications to Shipper of large aggregate imbalances is not a solution and only serves to highlight conflicting issues between the shipper's reasonable endeavours obligation and the Transporter's overarching obligation to balance the system
  - GNI should take the necessary balancing actions as and when the need arises rather than requesting shippers to use reasonable endeavours to balance. The integrity of the system demands that the GNI is in control.
  - Imbalance charges are the economic incentives for shippers to balance their supply and the tools for GNI to balance the system.
    - IOOA's members would ask why these are not sufficient to manage the balancing obligations.
  - To our knowledge there have been many occasions in which shippers have been substantially out of balance and not used reasonable endeavours to be in balance with no consequences from GNI.
- It is useful to consider how GB approached the problem when it implemented its balancing regime.
  - On the other hand, it is not possible for most shippers to balance supply and demand with precision because of inherent uncertainty in demand. It was highly questionable whether systems of tolerance and penalties could actually provide the balancing tools which were needed.
  - the market -based balancing regime was flexible to allow the economics to drive decisions and puts the Transporter in an economically neutral position to manage the system through market-based buy/sell operations. The Transporter is able to manage the shipper's reasonable decision to cash-out its imbalance.
  - The decision to allow balancing to be driven by the economics was a significant factor in making the NBP price an effective clearing price and in developing the liquidity in the GB market.
- IOOA's members question whether the reasonable endeavours provision in the COP is appropriate and fit for purpose but is rather a legacy requirement that stems from the days of zipping.
  - It would be helpful for GNI to details what legal recourse GNI might use if shippers are not using reasonable endeavours to be in balance

# IOOA Input contd.

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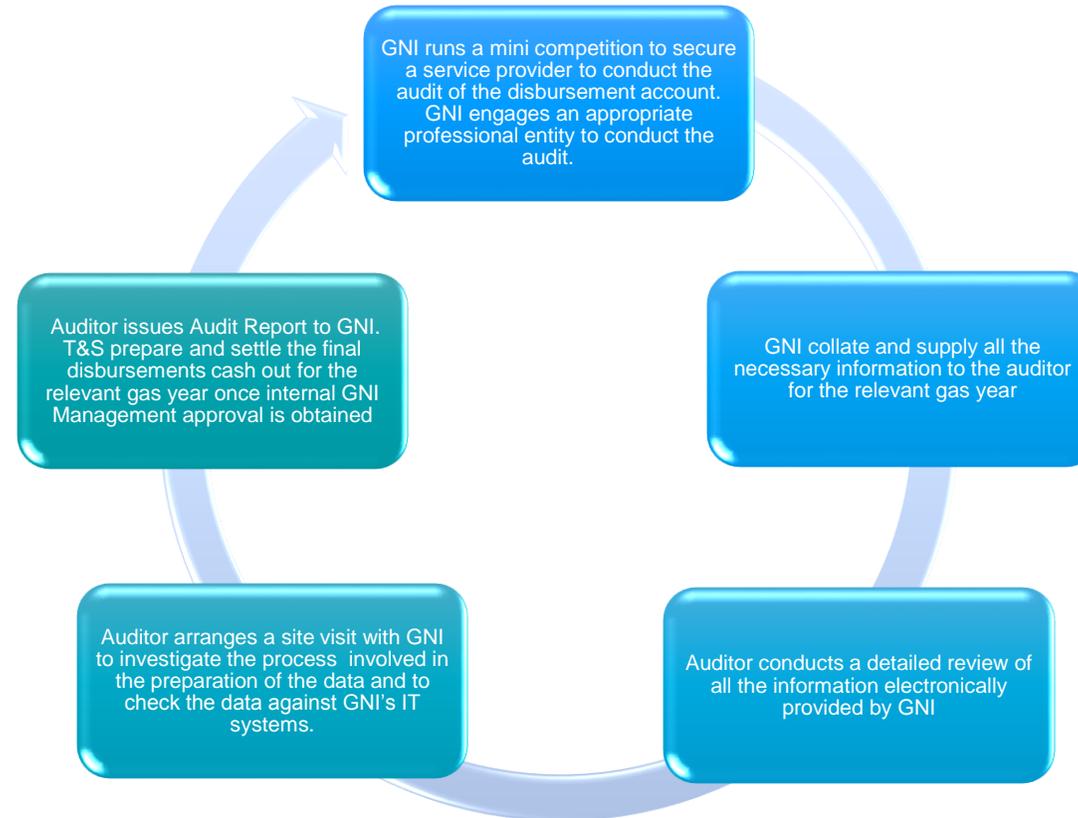
- IOOA members are aware that GNI may currently be having problems in operating with the required flexibility but don't see their response to shippers as helpful.
  - IOOA members note that GNI to date has been slow to implement balancing actions. Our members believe that GNI needs to be more active in the balancing market than it has been to date.
  - Ultimately it appears that GNI is the “boy that cries wolf” in relation to balancing actions. GNI being more active in the balancing market and transacting at marginal prices will force shippers to consider their balancing actions and change balancing behaviour.
  - There may be an issue relating to the size of the shortfall when there is a Corrib outage and we suggest that GNI review their readiness for this, if there was a balancing problem and bring the specific issue back to the industry.
  - Sending letters about obligations after the event is unlikely to be the right answer.
- IOOA's members consider that GNI should have a discussion with shippers to determine whether charging shippers who leave the GNI system short the daily Moffat capacity charge is appropriate on days when the IBP SAP does not set.
- Some shippers still have tolerances available to their portfolio which allow for cash out at the first-tier imbalance prices – in such cases there is probably no incentive to balance for volumes within a shipper's tolerance limits even if another shipper has an opposite position. Removing tolerances will be a further incentive for shippers to balance.
- In any case system balancing tolerances which are a percentage of the shipper's load don't necessarily help the network operator. Small shippers are overburdened for little value and large shippers can cause bigger problems.

## 10. Action C571 - Transporter to examine timespan in settling the Shippers' Disbursements Account Positions after the end of a Gas Year.

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- Section 2.5.3 of Part E of the Code of Operations provides that the Transporter shall appoint an appropriate internationally recognised professional entity and provide all necessary information to allow the entity to conduct a detailed audit of the shrinkage gas transactions.
- Although the requirement for an independent audit applies only to shrinkage gas, GNI requests that the audit review and summary report also covers balancing transaction and disbursements calculations.
- The final disbursement cash out is completed each year after this audit process has been completed.
- The audit process from start to end covers at least a six month period after which GNI will process the final cash out invoices/credits.
- However, since the introduction of Code Mod A080 in October 2017, the Shippers' disbursement invoices/credits are settled on a monthly basis. Hence, it is now only stock, bank interest, bank charges and audit fees that are outstanding for cash out until the audit process is complete. As a consequence of this, GNI would propose that there are no further changes to the settlement of the disbursements account and this action should be closed.

# Current GNI Disbursement Audit Process



Since the implementation of A080 on 1 October 2017, all shippers' disbursements account invoices/credits are now settled on a monthly basis

# 11. Shrinkage Gas

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- Review of Shrinkage Gas Report and Industry Submissions
- Shrinkage Costs included in Transmission Services Revenue
- Review of Shrinkage Gas Procurement Policy

# Shrinkage Gas Report: Industry submissions

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- There were two responses submitted in relation to the Shrinkage Gas Report
- Both submissions highlighted, and GNI acknowledges, the delay from identification of issue to resolution. The delay arose from a disconnection between the commercial processes and the approach to the physical operation of the network.
- One respondent queried information on the disbursements audit. A copy of the audit certificate is published to the Shippers GMTS webpage.

# Update on remedial actions

Remedial Action	Update
Shrinkage Estimation	Methodology updated to include an estimation of daily UAG and parameters are being monitored to improve estimation algorithm.
Code Modification	Will be addressed as part of transition to new Shrinkage recovery model
Stock Model	A new stock model has been developed and is operating in “shadow” with the legacy system. GNI expects to migrate to new model in early 2020.
CV Shrinkage	Discussions are ongoing with NGG to assesses potential impact of CV Shrinkage.
Additional resources	Additional dedicated resources on Commercial Transportation
Process review and improvements	Meter data monitoring and analytics, site inspections, engaging with other TSO on best practice

# Shrinkage Gas Reporting – 2019/20 requests

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- 2019/20 tariffs were calculated without shrinkage costs included in Transmission Services Revenue (TSR)
- CRU request for GNI to provide an indicative view of tariffs had a shrinkage cost been included in the TSR from 2019/20
- Aim is to allow end users to compare and contrast their 2019/20 monthly shrinkage bills against these indicative tariffs for the 2019/20 gas year
- Decision to include the indicative value for shrinkage costs that was used in the TAR NC consultation model (€14.74m)
  - Please note the Shrinkage Gas cost of €14.74m was a forecast cost at a point in time, for the purposes of the TAR NC consultation. As such, any analysis completed based on this indicative value is at the user's own discretion
- Reasoning for the inclusion of this figure is that this value was calculated at a point in time that would be similar to the point in time that future forecast values would be calculated, for inclusion in the TSR
- With shrinkage costs included within the TSR from October 2020, monthly shrinkage invoice provided to individual gas shippers will cease immediately.

# Shrinkage Gas Reporting – Values

	19/20 Tariffs (excl. Shrinkage)	19/20 Tariffs (incl. Shrinkage)	Increase/Decrease on tariffs for every +€1m/-€1m movement
	€	€	€
<b>Capacity - Entry</b>			
Bellanaboy	619.4419	639.4103	+/- 1.355
Moffat	301.3453	321.3137	+/- 1.355
Inch	105.5566	125.5250	+/- 1.355
Biogas	92.7748	112.7432	+/- 1.355
Gormanston VRF	65.1104	81.4845	+/- 1.1111
<b>Capacity - Exit</b>			
Equalized exits	367.6576	398.3291	+/- 2.0813
Gormanston	345.3411	376.0125	+/- 2.0813
Moffat VRF	250.0441	265.9933	+/- 1.0823
<b>Commodity</b>			
Entry	0.1034	0.1120	+/- 0.0006
Exit	0.2156	0.2335	+/- 0.0012

\*Shrinkage Cost = €14.737m - this is the Shrinkage Cost that was included for the TAR NC consultation model

# Shrinkage Gas Procurement Approach 2020/21

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- GNI and CRU met to discuss the approach to procuring Shrinkage in 2020
- Agreed procurement for 2020 to continue with public competitive tender process with a market based pricing mechanism
- GNI are about to commence the procurement process and welcome the participation of all Shippers
- Under the current contract, GNI issues a weekly instruction to the service provider for the Shrinkage gas required for week ahead.
- The current pricing mechanism is based on the SAP daily price of gas plus or minus a premium or a discount plus pass through costs.
- GNI initiating a project to consider the transition of the Shrinkage Gas procurement to the Trading Platform for 2021.

# Shipper Responses to Shrinkage Gas Procurement strategy

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- **IOOA:** In principle support a proposal that Transporter would procure its shrinkage gas requirements on the Marex Spectron Trading Platform, though not necessarily on the basis of a substantial annual strip acquired each year at a fixed price before the annual booking auction at Moffat, subject to a concern at ongoing liquidity issues at the Platform.
- In relation to whether the cost should be fixed price or indexed price based they consider that the Transporter should seek to use an indexed product to purchase its baseload gas on the basis that
  - Shrinkage is an operational cost, operational decisions should be made on marginal price of gas on the day in question
  - It aligns with the current process which uses an indexed Within-Day product, using an indexed future product would be similar to the current approach
- IOOA question whether purchasing gas on a fixed price basis ( April-June) when approaching the Moffat booking would, on balance, represent good value for Shippers. It could only be judged in hindsight and an indexed price, given the Transporter's lack of trading expertise, would be preferable
- the inclusion of Shrinkage in Allowable Revenue should not increase preference for fixed price purchases, differences between the estimated cost, used to set tariffs, and the actual cost are recovered in the following tariff year through k-factor
- IOOA are interested to discuss with the Transporter how the Transporter when marketing both balancing gas and purchasing shrinkage gas within-day will interact with each other.

# Shipper Responses to Shrinkage Gas Procurement Strategy

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- **ESB:** Submission comments on the Shrinkage Gas Report. As soon as points raised are clarified/ answered , will be in a position to contribute to the procurement strategy review
- **Shipper A:** Gas should originate from Moffat , ensuring a certainty of supply
- Gas should be purchased 6-12 months in advance of gas year to have a significant portion of the cost fixed within the published tariff. Daily spot prices could be applied to daily variations versus forecast
- Forward purchasing at a point in time can be inherently risky so a strategy of purchasing on a laddered basis could be considered to reduce price risk
- Shrinkage and UAG must be reviewed and re-forecasted at regular intervals within the year to minimise cost disparities
- Allow for a retrospective report on cost of Shrinkage and cost of UAG

# Shipper Responses to Shrinkage Gas Procurement Strategy

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- **Shipper B:** the existing tender process is a fair and reflective method of procuring shrinkage where the price is market reflective as it is currently supplied on a price based on the UK SAP
- a market –based approach would result in higher price volatility and unpredictable commodity charges as shrinkage costs are included in the methodology
- the costs to Shippers can be minimised by procuring shrinkage gas at the Moffat border  
ensuring that Irish entry capacity
- **Shipper C:** preference for forward volumes to be secured via Marex Spectron Platform indexed to NBP SAP or Heren Day-Ahead indices are equally acceptable
- **Shipper D:** similar to C but also with some fixed price volumes secured in advance of Moffat Annual Auction
- **Shipper E:** identical to D

# Balancing Gas Procurement Strategy 2020

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- GNI and the CRU have agreed after the expiry of the current Balancing Gas Contracts in December 2020, those contracts will not be renewed
- The Marex Spectron Platform will be the sole source for the Balancing Buy and Sell Gas requirements

## 12. Gas and Electricity Interactions

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- Submissions in relation to post I-SEM experiences of dead-band capacity LDM capacity booking

## 13. Potential to increase the oxygen content at RNG entry points to 1% on Transmission network

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- Biomethane injection sites planned for GNI's Transmission Network requiring further Code Modifications
- GNI to engage a 3<sup>rd</sup> Party to conduct an analysis /impact assessment of oxygen limit increase (1%) on the Transmission Network
- GNI invite industry to advise areas they would like to be considered during the analysis
- Please send comments to Yvette Jones [yvette.jones@gasnetworks.ie](mailto:yvette.jones@gasnetworks.ie) before 24 January 2020

# 14. AOB

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- Review of VRF Tariff

## 12. AOB (2)

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- Shipper Invoicing Handbook – Gas Year 2019/2020
- Posted to each Shipper GTMS portal
- Posted to all billing contacts directly

# Code Modification Forum Meetings in 2020

Next Meeting



CMF Dates 2019	Location
29 <sup>th</sup> January 2020 (Wednesday)	Dublin
25 <sup>th</sup> March 2020 (Wednesday)	Dublin
17 <sup>th</sup> June 2020 (Wednesday)	Cork
19 <sup>th</sup> August 2020 (Wednesday)	Dublin
21 <sup>th</sup> October 2020 (Wednesday)	Dublin
16 <sup>th</sup> December 2020 (Wednesday)	Dublin



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Thank you for your participation