

## Initial Modification Report

Code Modification A065

*'Financial Security Modifications as a result of CAM'*

### 1. Introduction, Background and Related Documents

The requirement for this modification to the Financial Security (FS) Policy originated with Regulation EU 984/2013, which established a Network Code for Capacity Allocation Mechanisms (CAM) in Gas Transmission Systems, and defined new rules for the allocation of Capacity at Interconnection Points (IP) throughout the European Union. The documents that have had a bearing on this Code Modification A065 have been outlined below.

Date	Source	Document
15 April 2013	European Commission	Commission <a href="#">Regulation (EU) No 984/2013</a> of 14 October 2013 on Capacity Allocation Mechanisms in Gas Transmission Systems.
16 October 2014	Gaslink	<a href="#">Capacity Allocation Mechanism</a> (CAM) at Interconnection Points: Implementing Regulation (EU) No 984/2013 – Business Rules. Version 3.0 (Code Modification A062)
1 April 2013	Gaslink	Consolidated Gaslink <a href="#">Code of Operations Version 4.0</a> as approved by the CER.
28 March 2013	Gaslink	Financial Security Policy. Policy No. FS01
1 April 2009	Gaslink	Financial Security Policy for Short-Term Products Version 1.0 – CER Approved.
21 January 2015	Gaslink	Code Modification Forum <a href="#">Slides</a>

*Table 1: Related Documents*

The changes being introduced as a result of [Code Modification A062](#) mean that large parts of the existing FS policy will become unworkable. For instance the long lead time between taking part in an Annual/Quarterly auction and the effective date of this capacity renders the need to have FS in place at auction time unreasonable.

As there were no specific references in the Regulation to requirements for financial security, all financial security related changes are consequential in nature. The major changes being introduced to financial security relate to the following features of CAM:

- Introduction of bundled products at IP's;
- Marketing of Capacity via Auctions on a joint Capacity booking platform at the IP; and
- Introduction of a Quarterly Capacity product.

The Gaslink Financial Security Policy is composed of two documents:

- Gaslink Financial Security Policy FS01 v3.0; and
- Short Term Product Financial Security Policy v1.0.

Both these documents will be subject to change as a result of this modification proposal. Changes will also be required to Part C 'Capacity' and Part I 'Legal & general' of the Code of Operations. It should also be noted that the Transporter on the other side of each IP will implement its own financial security rules which are outside the scope of this Code Modification.

## **2. Proposed Modification**

This modification proposal was issued on 8 January 2015, with the Business Rules v1.0 issued on 22 January, and Business Rules v2.0 issued on 22 May 2015.

The modification proposes changes to the financial security rules currently implemented at IP's but also at non-IP's. The reason for proposing changes to non-IP's is to align processes and to ensure consistency of application of the FS Policy across the network.

Details of the proposed changes are elaborated in the [business rules](#) document but can be summarised as follows:

### **Interconnection Points**

- Financial Security will not be required to take part in Annual & Quarterly auctions;
- Financial security will be required prior to the effective date of annual or quarterly products; and
- Full financial security will be required to partake in auctions for monthly or daily products.

### **Non-interconnection Points**

- Full financial security will be required to book daily products (not currently required).

### 3. Estimated System Impacts, Costs, and Implementation Timelines

The table below provides a representation of the estimated impacts of the proposed modification with reference to the various subject areas of the proposal and specifically, to the amount of changes required in each of these areas:

	Financial Security Policy	IT Impact	Interaction with Adjacent TSOs
Long Term Products at Non-IP's	LOW	LOW	NONE
Short Term Products at Non-IP's	MEDIUM	LOW	NONE
Long Term Products at IP's	MEDIUM	MEDIUM	HIGH
Short Term Products at IP's	HIGH	HIGH	HIGH

As an example, Shippers will be required to manage their FS requirements for PRISMA auctions through GTMS, by splitting their FS between GTMS and PRISMA according to their needs.

As per Decision Paper CER/14/140 of 27th August 2014 ('Decision on BGN Allowed Revenues and Gas Transmission Tariffs for 2014/15'), the projected costs associated with the implementation of the European Network Codes namely, Capacity Allocation Mechanisms (CAM), Congestion Management procedures (CMP), Balancing (BAL), Interoperability & Data Exchange (INT&DE), and Tariffs (TAR)) over a four year period up to Gas Year 2016/17 is €6,961,632 of which €5,000,000 is IT capital expenditure to be spent between 2014/15 and 2015/16. It is estimated that approximately 120 functions on GTMS will require amendment and that a further 80 new functions will be developed.

The implementation dates in respect of Capacity Allocation Mechanisms (CAM) Regulation EU No. 984/2013 is 1 Nov 2015, however it is proposed that the content of this Code Modification is not implemented until April 2015.

### 4. Summary of Forum Discussion

[Minutes should suffice on this front?]

### 5. Transporter's Assessment of the Proposed Modification

It is the Transporter's view that the proposed modification addresses the requirements of the Network Codes in a practical manner while minimising the impacts on shippers and giving due consideration to the specific characteristics of the Irish gas market