1 Consultation Questions

1.1 A094: Changes to Shipper Portfolio Tolerances

Q1. What do you believe is the appropriate tolerance level for each category of customer?

Manx Utilities is supportive of the removal of Shipper Portfolio Tolerances as we do not see any particular purpose to them. Furthermore we are not persuaded that DM sites that nominate as per the Transporter's instructions should require additional tolerances in order to balance their portfolios.

Without sufficient information on LDM profiles and accuracy of nominations we foresee circumstances where in the event that GNI incorrectly forecasts this demand, shippers without DM sites could be paying for this through the disbursement account.

Q2. What are your views as to the appropriate dates for the two step reduction proposed?

The proposed staged implementation will require additional resourcing in order to manage the different tolerances between August and October for little appreciable gain so our preference would be to implement the final 0% tolerance from 1st October 2018 without stepping down in the interim, or to remove all tolerances on 1 August if an earlier implementation date is deemed preferable.

1.2 A095 (A092): Revised Methodology for calculation of Daily Imbalance Charges

Manx Utilities is broadly supportive of this proposal. Please see additional comments below for consideration.

Q3. What is your view as to the magnitude of the *small adjustment* to be used in the calculation of the marginal sell price and the marginal buy price?

Manx Utilities is of the opinion that the proposal for the small adjustment is set too high. In the event that balancing actions or trades are being taken a marginal price is set by weighted average. If the small adjustment is set too high, it effectively fails to be cost reflective.

This is confirmed by the graphs included in the supplemental information, with GNI operating within the 3.5% tolerance since May. In the event no balancing actions are taken, Shippers will still pay an adjusted marginal price of plus or minus 3.5%

Manx Utilities suggest a maximum small adjustment of plus or minus 2%

Q4. Do you believe the liquidity threshold criteria provided above are appropriate?

No objections to the metrics proposed

Q5. What is the appropriate date for the implementation of the new methodology for calculation of the cashout prices?

1st October 2018

Additional Comments:

<u>Default Rule:</u>

In the event that no balancing actions are taken and there is insufficient liquidity in the IBP, Manx Utilities is of the opinion that default imbalance arrangements if left at current STIP rates would be unjustifiably penal to all shippers.

By removing tolerances as part of A094, shippers that actively manage and balance their systems would still be penalised on current second tier imbalance levels.

It is our suggestion that the default imbalance multipliers should therefore be set no wider than 0.98 and 1.02.

If imbalance prices are moved too far away from real cash flows it can only be to the benefit of the largest market players through redistribution of disbursements.