

Nominations, Imbalance Charges & Allocations:

EU Network Code Implementation

Code Modification No. A063

Business Rules for Industry Consultation

18th September 2014

Version 1.0



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Supporting Documentation:

Date	Source	Reference
2009 (updated in 2012)	European Commission	Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks, updated to reflect Commission Decision 2012/490/EU of 24 August 2012
April 2013	Gaslink	Consolidated Gaslink Code of Operations v4.0 as of 1 April 2013
October 2013	European Union	Regulation EU 984/2013 , Capacity Allocation Mechanisms (CAM) Network Code
December 2013	ENTSOG	Draft Interoperability & Data Exchange Network Code as issued by ENTSOG to ACER on 18 December 2013 ¹
March 2014	European Union	Regulation EU No. 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks
June 2014	Gaslink	Code Modification Proposal A062 'Capacity Allocation Mechanisms (CAM) at Interconnection Points' Business Rules
July 2014	Joint Office of Gas Transporters	UNC Modification No. 0493 'EU Gas Balancing Code – Daily Nominations at Interconnection Points'
August 2014	Joint Office of Gas Transporters	UNC Modification No. 0510 'Reform of Gas Allocation Regime at GB Interconnection Points'

¹ Note that this is not yet formalised as an EU Regulation. The draft Interoperability & Data Exchange Network Code as published in December 2013 is subject to change as it progresses through the European Commission's comitology process.

CONSULTATION PERIOD

Comments are requested on or before 9th October 2014

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1. INTRODUCTION

1.1. Background

Regulation EC 715/2009 (on conditions for access to the natural gas transmission networks) established a list of Network Codes to be developed, including in the area of *'balancing rules including network-related rules on nominations procedure, rules for imbalance charges and rules for operational balancing between transmission system operators' systems'*. Accordingly, the Network Code on Gas Balancing of Transmission Networks (Balancing Network Code) was developed, approved, and ultimately published in the form of Regulation EU No. 312/2014 (to be referred to as 'the Regulation' hereafter) in March 2014. The Regulation includes topics such as information provision, nominations, operational balancing, daily imbalance charges, and neutrality arrangements and has an implementation date of 1 October 2015.

While the Balancing Network Code forms the basis for the majority of this business rules document, elements of the Capacity Allocation Mechanisms (CAM) Network Code (Regulation EU No. 984/2013) and the draft Interoperability & Data Exchange Network Code are also incorporated. The business rules reflect the concepts of bundled capacity and 'single' nominations at Interconnection Points as required by the CAM Network Code. Likewise, the business rules incorporate those aspects of the draft Interoperability & Data Exchange Network Code which relate to nominations and allocations. This Network Code has not yet been formalised as an EU Regulation, does not have a confirmed implementation date and still remains subject to change. However, it is considered prudent to include its provisions insofar as it overlaps with the requirements of the Balancing Network Code, such that delivery of Balancing Network Code compliance is not unduly compromised.

Further to the proposal form in relation to Code Modification A063 *'Nominations, Imbalance Charges & Allocations: EU Network Code Implementation'* which was issued to industry on 21 August 2014, this business rules document sets out the proposed amendments to the Gaslink Code, such amendments considered necessary for the implementation of the various Network Codes mentioned above.

1.2. Purpose and Scope of Document

1.2.1 The Scope of this document includes:

- a) Information Provision
- b) Nominations
- c) Imbalance Charges and Disbursements Process
- d) Trade Notifications / IBP Nominations
- e) Allocations

1.2.2 The following has not been included in this business rules document, however it will be addressed at a later date:

- a) Operational Balancing

- 1.2.3 The principal focus of this business rules document is to outline the Shipper–Transporter processes (involved in nominations, balancing & allocations) solely in respect of points currently identified in the Gaslink Code, and the business rules will subsequently be translated into legal drafting to amend the Code of Operations.
- 1.2.4 However, in order to develop a more general understanding of the overall processes involved, it is considered necessary to include certain processes, information flows and interactions between other parties (e.g. Transporter – Adjacent Transporter etc.). It should be noted, therefore, that only those process steps and information flows which relate directly to the Shipper – Transporter relationship will be reflected in the Code legal drafting.
- 1.2.5 Similarly, this business rules document is in draft form only and is intended to prompt discussion rather than present the final position of the Transporter. Accordingly, the Transporter reserves the right to modify these proposals as appropriate either as a result of industry responses to the consultation, CER direction, subsequent European Network Codes, or further and more detailed development of the draft processes contained within the document.
- 1.2.6 Furthermore, it should be noted that this business rules consultation represents only one element of a wider EU Network Code implementation project involving a number of other business rules consultations in respect of distinct areas such as Capacity Allocation Mechanisms (CAM), Congestion Management Procedures (CMP) etc.

1.3. Key Features of Note

The most notable features included in business rules document are summarised below, with further detail in relation to each of these provided in the main body of the document.

- 1.3.1 As previously advised in the CAM business rules, the Gas Day will be 05:00 to 04:59 as and from 1 October 2015.
- 1.3.2 The time periods during which Shippers may submit Nominations and Renominations in relation to all points (note: this is not limited to Interconnection Points) on the Gaslink system are amended to align with timings prescribed in the Regulation².
- 1.3.3 The requirement for a Shipper to achieve a Zero Imbalance Position (ZIP) as a mandatory prerequisite to approval of a Nomination or Renomination is to be removed.
- 1.3.4 Renomination Effective Times (as currently provided for in Part D, Section 1.8 of the Code) will no longer be considered as a criterion for discretionary rejection of Renominations.
- 1.3.5 Nominations at Interconnection Points may be of the following two types:
- a) Single Sided Nominations as a means to facilitate the submission of a ‘single nomination’ at an Interconnection Point, primarily in respect of bundled capacity; and

² The timings applied to the submission of Virtual Reverse Flow Nominations may differ from the general timings included in this business rules document. Please refer to the Virtual Reverse Flow business rules for specific details relating to VRF Nomination timings.

- b) Double Sided Nominations as a means to facilitate the submission of nominations at an Interconnection Point, primarily in respect of unbundled capacity
- 1.3.6 The processing and matching of Nominations and Renominations at Interconnection Points is to be performed jointly by the respective Transporters at either side of the Interconnection Point. This means that the Moffat Agent, which currently performs this function at the Moffat Entry Point will no longer do so.
- 1.3.7 Amendments to the Imbalance Charge methodology to include the following:
- a) the removal of tolerances, including first tier and second tier imbalance prices;
 - b) amendments to the calculation of the Marginal Sell Price and Marginal Buy Price applied to a Shippers Daily Imbalance Quantity;
 - c) consequential changes to the disbursements process; and
 - d) the removal of After Day Trades.
- 1.3.8 Approval of trade notifications (equivalent to IBP Buy Nominations and IBP Sell Nominations in the Code) will not be dependent on a Shipper holding sufficient Entry Capacity or Exit Capacity as a pre-requisite.
- 1.3.9 The introduction of operational balancing accounts (OBAs) at the respective Interconnection Points (subject to agreement with adjacent Transporters), the outcome of which is likely to result in Allocations at Interconnection Points being made 'whole' to the Shipper's Confirmed Quantity³ in normal circumstances, with proportional allocation applying otherwise.
- 1.3.10 As a result of the abovementioned changes to the Allocation process at Interconnection Points, the following will be discontinued in respect of Interconnection Points:
- a) Scheduling Charges;
 - b) Entry Allocation Adjustment Requests⁴;
 - c) the facility for two or more Shippers, upon mutual agreement, to request a change to their respective Initial Allocations⁵.

1.4. Moffat Agent

Article 3 of the draft Interoperability and Data Exchange Network Code requires that adjacent TSOs establish an Interconnection Agreement (which will replace and expand on any existing Connected System Agreement) at each Interconnection Point to include, among others, rules relating to the processing of Nominations / Renominations and the Allocation methodology. Article 8 further defines specific roles for each Transporter in the Nomination process ('initiating' and 'matching' Transporter), requiring a direct relationship between the Adjacent Transporters in terms of processing Nominations / Renominations. Similarly, Article 9 envisages the use of an operational balancing account as part of the Allocation methodology, again requiring direct interaction between the adjacent Transporters.

³ See **Error! Reference source not found.** for definition

⁴ See Part D, Section 2.5.4 of the Code

⁵ See Part D, Section 2.5.3 of the Code

Given that the processing of Nominations and the Allocation methodology are to be administered directly by the Adjacent Transporters at the Moffat Interconnection Point, it follows that the Moffat Agent does not have an enduring function with respect to these activities. It is in this context that it is proposed to withdraw the Transporter's approval of the Moffat Agency Agreement pursuant to the Code of Operations. Following the withdrawal of such approval, default Code rules relating to functions previously performed by the Moffat Agent will apply. It is anticipated that any amendments to current Code rules as proposed in this business rules document will become effective coincident with the withdrawal of the Transporter's approval of the Moffat Agency Agreement. Further detail in relation to this transition will be communicated at a later date.

In terms of amendments to the Code, the current provision which allows for the establishment of an Entry Allocation Agent⁶ is to be amended to distinguish between:

- a) Interconnection Points, at which it is proposed that an Agent may not be appointed; and
- b) Entry Points which are not Interconnection Points, at which it is proposed that an Agent may be appointed.

Similarly, Entry Point Procedures⁷ will be amended as appropriate to reflect the proposed new Nominations and Allocations processes.

⁶ See Part D, Section 2.3.1 & 2.4 of Code

⁷ See Part H, Section 3.8 of Code

2. DEFINITIONS & INTERPPRETATION

In reading this document, please note the following:

- ‘the Code’ refers to the Gaslink Code of Operations (version 4.0)
- ‘the Regulation’ refers to the Balancing Network Code (Regulation EU No. 312/2014)
- References to the Capacity Allocation Mechanisms (CAM) Network Code (Regulation EU No. 984/2013) and the draft Interoperability & Data Exchange Network Code shall be explicit.
- **Capitalised Terms in Bold Italics** indicate the first occurrence in the document of a term which has not previously been defined elsewhere. As such, these terms are defined in the body of the document as opposed to being included in a list of definitions in this section.
- Any such newly defined terms have been defined with the sole purpose of aiding the understanding of this business rules document. Accordingly, the Transporter reserves the right to alter such terms when developing Code legal drafting at a later date.
- Capitalised terms other than those referred to above signify existing terms from the Code of Operations or previous business rules documents.

3. INFORMATION PROVISION

3.1. Introduction

- 3.1.1 Chapter 8 (Articles 32 – 42) of the Regulation outlines the information flows required to support the daily balancing regime as described elsewhere in the Regulation. It sets out the minimum information which should be available to a Shipper to allow it make informed decisions in respect of balancing its own portfolio and minimising the risk of the Shipper's actions contributing to a system imbalance.
- 3.1.2 The current arrangements in the Code meet most of the requirements of the Regulation in respect of information provision, and in some cases exceed the requirements.
- 3.1.3 The following section outlines the specific requirements of Articles 32 – 38, and Article 42 of the Regulation and identifies where additional information provision is required over and above the existing provisions of the Code.
- 3.1.4 It should be noted that the requirements of Articles 39 - 41 have not been considered for inclusion in this business rules document as they relate to information flows between a transmission system operator, distribution system operator, and a 'forecasting party'. As the Transporter performs all three aforementioned functions as a single entity it is not necessary to consider such information flows.
- 3.1.5 Certain requirements of Chapter 8 of the Regulation are dependent on the type of 'information provision model' which is applied. It should be noted that the information provision model applicable to the Transporter is the 'base case' as defined in Article 3.19 of the Regulation. Therefore, Chapter 8 of the Regulation should be read in this context.

3.2. System Status Information

- 3.2.1 In accordance with Article 32.1 of the Regulation (by means of reference to the Transparency obligations outlined in Regulation EC 715/2009, Annex 1, 3.4 (5)), the Transporter shall publish, on its transparency site, at 06:00 on each Gas Day:
 - a) the amount of gas in the system at the start of the gas day; and
 - b) the amount of gas forecast to be in the system at the end of the Gas Day.

3.3. NDM Forecasts & Metered Information

- 3.3.1 Article 42 describes an outline methodology for the creation of NDM forecasts and requires that the forecasting party publishes a report in respect of the accuracy of the forecasting methodology every two years.
- 3.3.2 The current NDM forecasting methodology as prescribed in the Transporter's Forecasting, Allocation, Reconciliation (FAR) Procedures document exceeds the requirements of the Regulation. Therefore, no changes are proposed to the FAR procedures.
- 3.3.3 The Transporter will publish a report every two years in respect of the accuracy of the NDM forecasting process in respect of a given two year period.
- 3.3.4 Article 36 of the Regulation requires, in respect of non-daily metered offtakes (NDM), that the Transporter provide each Shipper:

- a) no later than 12:00 D-1, with a day-ahead forecast of its NDM consumption for Gas Day D; and
 - b) with a minimum of two further within-day forecasts of its NDM consumption for Gas Day D, the first such forecast to be issued no later than 13:00 D, and the second such forecast to be issued at a time approved by the national regulatory authority.
- 3.3.5 The Transporter's current information provision exceeds the minimum requirements of the Regulation in this respect, with a Shipper receiving the following NDM forecasts:
- a) Day-ahead: 09:00 D-1; and
 - b) Within-day: 11:00 D, 15:45 D, 20:45 D, 00:45 D.
- 3.3.6 It is proposed that the frequency and timing of forecasts is maintained as per current arrangements
- 3.3.7 Article 34 of the Regulation requires the Transporter to provide a Shipper with a minimum of two updates of their measured flows for their intraday metered inputs and offtakes.
- 3.3.8 Currently, in respect of LDM Offtakes, a Shipper may access hourly updates of the indicative metered consumption throughout the Gas Day at each of its LDM Offtakes individually, and in aggregate in respect of all of the LDM Offtakes in its portfolio, thus meeting the requirements adequately.

3.4. Allocations & Daily Imbalance Quantities

- 3.4.1 This section addresses the timing of the communication associated with Allocations and Daily Imbalance Quantities solely. It does not consider the respective methodologies applied in their derivation, which can be found in Sections 5 and 6 of this document.
- 3.4.2 Article 37 of the Regulation requires the Transporter to inform a Shipper of its:
- a) Initial Allocations and Initial Daily Imbalance Quantity for Gas Day D by no later than the end of Gas Day D+1; and
 - b) Final Allocations and Final Daily Imbalance Quantity for Gas Day D within a period of time approved by the national regulatory authority.
- 3.4.3 Currently, the Code requires the Transporter to inform a Shipper of its:
- a) Initial Allocations for Gas Day D by no later than 16:00 D+1;
 - b) Final Allocations for Gas Day D by no later than 16:00 D+5;
 - c) Initial Daily Imbalance Quantity for Gas Day D by no later than 17:30 D+1; and
 - d) Final Daily Imbalance Quantity for Gas Day D by no later than 17:30 D+7.
- 3.4.4 The current arrangements as outlined in 3.4.3 are considered sufficient to meet the requirements of the Regulation. It is therefore not proposed to alter such arrangements, save for the following exception:
- a) In the event that a Shipper's Final Allocation is equal to its Initial Allocation, no further communication will be issued to the Shipper and the Shipper's Initial Allocation is deemed to be its Final Allocation as of 16:00 on Gas Day D+1.

3.5. Summary of Information Provision

3.5.1 The table below outlines the information provision arrangements required by the Regulation and provided by the existing Code as they relate to 3.33 and 3.4 above. In summary, the core requirements of the Regulation in terms of information provision are currently catered for in the Code, with no change required or proposed. As per 3.3.3 above, it is however proposed to publish a report on the accuracy of NDM forecasts every two years.

Time	Info Type	BAL NC	BAL NC Ref	Gaslink Code (currently)	Code Ref	Compliant?
D-1	NDM forecast	No later than 12:00	36.1 (a)	09:00 D - 1	Part D 1.6	YES
D (1 st)		No later than 13:00	36.2	11:00 D	Part D 1.6.3	YES
D (2 nd)		As per national rules (min requirement of two forecasts)	36.3	15:45 D		YES
D (3 rd)				20:45 D		YES
D (4 th)				00:45 D		YES
D+1	Initial Allocation	No later than end of D+ 1	37.1	No later than 16:00 D+1	various	YES
D+2, 3, 4....	Final Allocation	As per national rules	37.3	No later than 16:00 D+5		YES
N/A	NDM Forecast Accuracy	Publish report every two years	42.3	None	N/A	NO
D+1	Initial Daily Imbalance Quantity	No later than end of D+ 1	37.1	No later than 17:30 D+1	Part E 1.5.1	YES
D+2, 3, 4....	Final Daily Imbalance Quantity	As per national rules	37.3	No later than 17:30 D+7	Part E 1.5.3	YES

3.5.2 Article 38 of the Regulation requires that the Transporter, within two years from the entry into force of this Regulation (i.e. April 2016), conducts a review of the costs and benefits of:

- a) increasing the frequency of information provision to Shippers;
- b) reducing the related timelines of information provision; and
- c) improving the accuracy of the information provided.

3.5.3 The Transporter shall consult with Shippers in respect of this review and, on the basis of the consultation results, the CER shall decide on any relevant changes to the provision of information.

4. NOMINATIONS

4.1. General

- 4.1.1 Chapter 4 (Articles 12 -18) of the Regulation outlines a set of minimum requirements in relation to nomination and renomination processes. It does not preclude a national regulatory authority or transmission system operator from prescribing additional requirements in accordance with the specific needs of the transmission system operator.
- 4.1.2 Nomination rules in the Regulation shall apply to both bundled and unbundled capacity. In the same way, the rules outlined in this business rules document shall address nominations and renominations made in respect of both bundled and unbundled capacity.
- 4.1.3 The primary focus of the Regulation is in terms of nominations and renominations at interconnection points, however Article 18 provides some guidance in relation to points other than interconnection points.
- 4.1.4 The Transporter proposes to align, where practical⁸, the nomination timelines and processes which shall be applied at Exit Points, and Entry Points which are not Interconnection Points with those timelines and processes which shall apply at Interconnection Points.
- 4.1.5 The Network Codes prescribe that the processing of Nominations and Renominations at Interconnection Points is conducted by the respective Transporters at the Interconnection Point, with one Transporter adopting the role of initiating Transporter and the other the role of matching Transporter.
- 4.1.6 The Transporter will confirm to Industry in due course the specific role which the Transporter will adopt in respect of each Interconnection Point. However, given that the roles are not confirmed at this point, the rules which follow are generic in nature and are non-specific in terms of which Transporter performs each role.
- 4.1.7 The Nomination matching rules which will be applied at Interconnection Points (and which are currently administered by the Moffat Agent in the case of the Moffat Entry Point) are not included in this business rules document, but will instead be included in the Interconnection Agreements (formerly referred to as Connected System Agreements) established between the respective Transporters at each Interconnection Point.

4.2. Nomination / Renomination Periods

- 4.2.1 The periods and timelines included in this section 4.2 shall be applied at all points on the system.
- 4.2.2 Nominations in respect of a Gas Day shall be submitted no earlier than 31 days prior to the Gas Day (D-31) and no later than 13:00 on the day immediately preceding the Gas Day (D-1), the **Nomination Period**.
- 4.2.3 Multiple Nominations may be submitted within the Nomination Period, with each subsequent Single Sided Nomination (or Double Sided Nomination in respect of the same combination of

⁸The timings applied to the submission of Virtual Reverse Flow Nominations may differ from the general timings included in this business rules document. Please refer to the Virtual Reverse Flow business rules for specific details relating to VRF Nomination timings.

counterparties) superceding the previous Nomination, such that the last valid Nomination received by the Transporter before the end of the Nomination Period is the Nomination which is processed by the Transporter.

- 4.2.4 Where a Shipper has not submitted a Valid Nomination by 13:00 D-1, the Shipper shall be deemed to have submitted a Nomination of 0 (zero) kWh/d.
- 4.2.5 The time period during which Nominations are processed (**'the Nomination Cycle'**) shall commence at 13:00 D-1 and end at 15:00 D-1 and the Transporter shall communicate the outcome of the Nomination Cycle in respect of the Shipper's Nomination to the Shipper no later than 15:00 D-1.
- 4.2.6 Renominations in respect of a Gas Day shall be submitted no earlier than 15:00 D-1 and no later than 02:00 D (the **'Renomination Period'**) and the Transporter shall process Renominations from the commencement of the hour immediately after the hour in which the Nomination was submitted (**'the Hour Bar'**).
- 4.2.7 The Transporter shall communicate the outcome of the Nomination Cycle in respect of the Shipper's Nomination to the Shipper no later than the end of the relevant Renomination Cycle.
- 4.2.8 The time period during which Renominations are processed (**'the Renomination Cycle'**) shall commence on the Hour Bar and have a duration of 2 hours. A Renomination cycle shall commence each hour within the Renomination Period.
- 4.2.9 The effective flow time shall be the Hour Bar plus two hours following receipt of the Renomination from the Shipper.
- 4.2.10 Given the requirements of 4.2.9, the concept of Renomination Effective Times as currently provided for in Part D, Section 1.8 of the Code shall no longer apply in respect of Interconnection Points.

4.3. Nomination / Renomination Submission & Rejection

- 4.3.1 A Nomination or Renomination submitted by a Shipper in respect of an Interconnection Point shall contain:
 - a) Interconnection Point;
 - b) direction of flow;
 - c) Type of Nomination or Renomination (i.e. Double Sided or Single Sided);
 - d) Shipper ID;
 - e) Shipper's counterparty (in the case of Double Sided Nominations or Renominations);
 - f) Gas Day;
 - g) the Nominated or Renominated Quantity; and
 - h) start and end time of Nomination or Renomination;

4.3.2 The Transporter **may** reject a Nomination or Renomination, or determine a Processed Quantity⁹ which is lower than the Nominated Quantity, and shall advise the Shipper of same no later than the end of the Nomination Cycle or Renomination Cycle as appropriate, if:

- a) it has not been submitted in accordance with 4.3.1;
- b) it is submitted by a party which is not a Shipper;
- c) in the case of a Renomination, it's acceptance would result in a negative Implied Nomination Flow Rate (INFR);
- d) it exceeds the Shipper's Active Capacity;
- e) where there are difficulties due to the profiling of Natural Gas into the Transportation System at an Interconnection Point such that, on a Day in respect of which the Renomination is submitted, the hourly gas flows into (or out of) the Transportation System differ from the EODQ divided by twenty four (24) during the early hours of the Day such that the Transporter's ability to accept such Renominations is adversely affected.

4.3.3 Note that Article 17.2 of the Regulation precludes the rejection of a Nomination or Renomination solely on the basis that the Shipper's intended inputs are not equal to its intended outputs i.e. the Shipper has not achieved a Zero Imbalance Position (ZIP). Accordingly the existing ZIP requirement in the Code will be discontinued.

4.4. Nomination / Renomination Processing: General

4.4.1 The processing of Nominations and Renominations at Interconnection Points shall be performed as part of a joint process involving both the Transporter and the Adjacent Transporter, allowing a Shipper to submit either Double Sided Nominations / Renominations or Single Sided Nominations / Renominations.

4.4.2 **Single Sided Nomination** may be submitted by a Shipper to the Initiating Transporter, such single Nomination requesting the Nominated Quantity (or Renominated Quantity) to be offtaken from one Transporter's system and delivered to the adjacent Transporter's system.

4.4.3 **Double Sided Nomination** requires the submission of two distinct Nominations by a Shipper and a Shipper's counterparty, one to each Transporter which, in combination, are considered a Double Sided Nomination, requesting the Nominated Quantity (or Renominated Quantity) to be offtaken from one Transporter's system and delivered to the adjacent Transporter's system.

4.4.4 The Nomination / Renomination process involves the following defined terms:

- a) Nominated Quantity, as defined in Part D 1.1.1 (e) of the Code; and
- b) Renominated Quantity, as defined in Part D 1.1.1 (e) of the Code;
- c) **Processed Quantity**, meaning the quantity of gas which the relevant Transporter deems feasible for delivery at the IP on behalf of a Shipper (i.e. each Transporter at the IP will determine a Processed Quantity);

⁹ See **Error! Reference source not found.** for definition

- d) **Confirmed Quantity**, meaning the quantity of gas which both Transporters deem feasible delivery at the IP on behalf of a Shipper following application of the matching rule i.e. this will be the same value for both Transporters at the IP.

4.4.5 The Nomination matching process defines two distinct roles for the respective Transporters as per 4.4.6 and 4.4.7.

4.4.6 **Initiating Transporter**, whose role is to:

- a) receive Single Sided and Double Sided Nominations / Renominations from Shippers;
- b) forward Single Sided Nominations / Renominations to the Matching Transporter;
- c) determine its Processed Quantity and forward this to the Matching Transporter; and
- d) receive the Confirmed Quantity from the Matching Transporter and forward it to its Shipper.

4.4.7 **Matching Transporter**, whose role it is to:

- a) receive Double Sided Nominations from Shippers;
- b) receive forwarded Single Sided Nominations / Renominations from the Initiating Transporter;
- c) determine its Processed Quantity;
- d) receive the Initiating Transporter's Processed Quantity;
- e) perform the matching process to determine the Confirmed Quantity;
- f) forward the Confirmed Quantity to the Initiating Transporter and the Shipper.

4.5. Nomination / Renomination Processing: Single Sided Nomination

4.5.1 A Shipper may submit a Single Sided Nomination to the Initiating Transporter within the Nomination Period or Renomination Period as appropriate.

4.5.2 The Initiating Transporter shall:

- a) forward the Nomination to the Matching Transporter by 13:15 D-1 or the Hour Bar plus 15 minutes¹⁰;
- b) determine the Processed Quantity of the Initiating Transporter; and
- c) forward the Initiating Transporter's Processed Quantity to the Matching Transporter by 13:45 D-1 or Hour Bar plus 45 minutes.

4.5.3 Following receipt of the Initiating Transporter's Processed Quantity, the Matching Transporter shall:

- a) determine the Matching Transporter's Processed Quantity;
- b) perform the matching process in accordance with the matching rule, thus determining the Confirmed Quantity; and

¹⁰ Note that where two timings are included in brackets in these sections 4.4.7f) and 4.6, the former relates to Nominations, while the latter relates to Renominations.

- c) forward the Matching Transporter’s Processed Quantity and the Confirmed Quantity to the Initiating Transporter by 14:30 D-1 or Hour Bar plus 90 minute);
- 4.5.4 The Initiating Transporter shall communicate the Confirmed Quantity to the Shipper by 15:00 D-1 or Hour Bar plus 120 minutes.
- 4.5.5 The Single Sided Nomination / Renomination process is summarised in Figure 1 below:

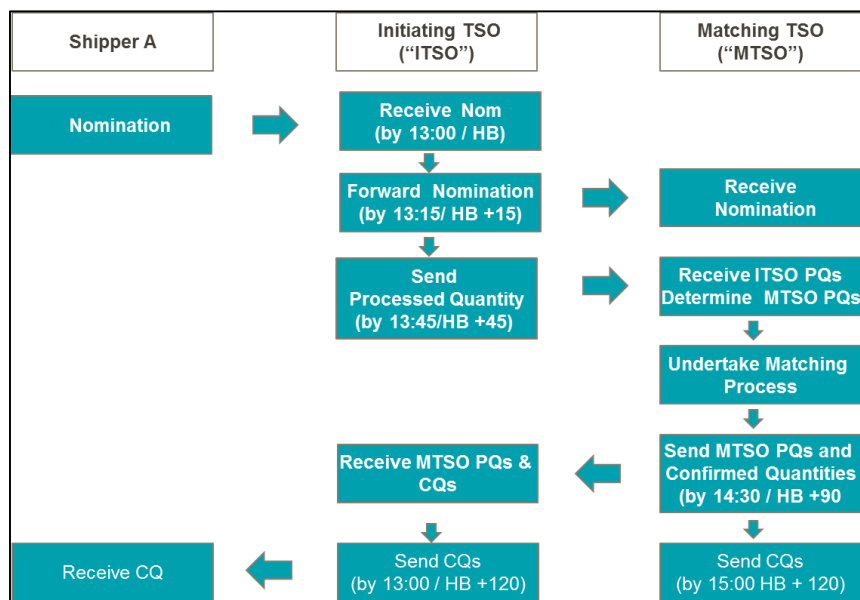


Figure 1 Single Sided Nomination / Renomination Process

4.6. Nomination / Renomination Processing: Double Sided Nomination

- 4.6.1 A Shipper and a Shipper’s counterparty may submit a pair of Nominations, one Nomination to the Initiating Transporter, the other to the Matching Transporter, together considered a Double Sided Nomination at an Interconnection Point within the Nomination Period or Renomination Period as appropriate.
- 4.6.2 The Initiating Transporter shall:
- determine the Processed Quantity of the Initiating Transporter;
 - forward the Initiating Transporter’s Processed Quantity to the Matching Transporter by 13:45 D-1 or Hour Bar plus 45 minutes.
- 4.6.3 Following receipt of the Initiating Transporter’s Processed Quantity, the Matching Transporter shall:
- determine the Processed Quantity of the Matching Transporter;
 - perform the matching process in accordance with the matching rule, thus determining the Confirmed Quantity;
 - forward the Matching Transporter’s Processed Quantity and the Confirmed Quantity to the Initiating Transporter by 14:30 D-1 or the Hour Bar plus 90 minutes;

4.6.4 Both the Initiating Transporter and the Matching Transporter shall communicate the Confirmed Quantity to their respective Shippers by 15:00 D-1 or the Hour Bar plus 120 minutes.

4.6.5 The Double Sided Nomination / Renomination process is summarised in Figure 1 below:

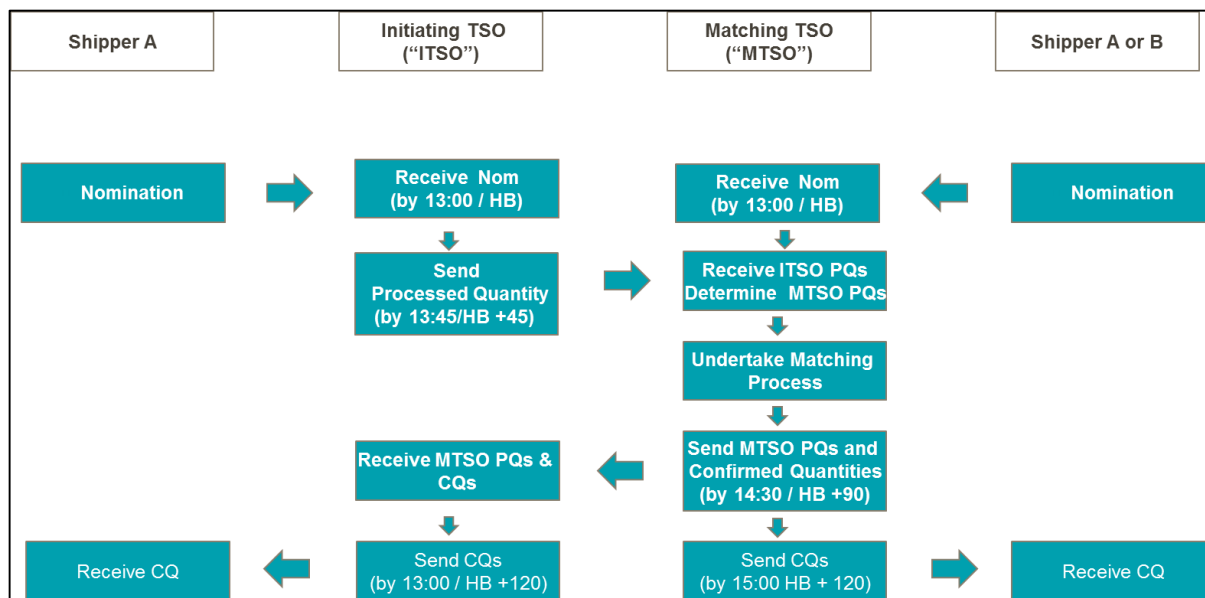


Figure 2 Double Sided Nomination / Renomination Process

4.7. Matching Rules at Interconnection Points

4.7.1 The matching rules to be applied at each Interconnection Points shall be included in the relevant Interconnection Agreements which the Adjacent Transporters at each Interconnection Point shall be party to.

4.7.2 The Interconnection Agreements are currently in development and the details of the matching rules to be included within shall be communicated to Industry in due course

5. DAILY IMBALANCE CHARGES

5.1. General

- 5.1.1 Recognising the physical configuration of the system, each Shipper will be attributed Daily Imbalance Charges in respect of two balancing portfolios:
- a) System Balancing Portfolio; and
 - b) Interconnector Balancing Portfolio.
- 5.1.2 Daily Imbalance Charges shall be applied independently in respect of each balancing portfolio.
- 5.1.3 The existing Daily Imbalance Charge methodology as prescribed in Part E, Section 1.6 of the Code (and associated Sections 1.7 & 1.8) requires amendment in order to align with the requirements of the Regulation, principal of which are:
- a) The removal of tolerances with reference to Article 50 of the Regulation: and
 - b) amendments to the definition of the 'applicable price' as per Article 22 of the Regulation;
- 5.1.4 Credits due to a Shipper as a result of Daily Imbalance Charges, which previously were cashed out on an annual basis, will now be cashed out on a monthly basis.
- 5.1.5 After Day Trades are to be removed from the Code.
- 5.1.6 The requirement for a Shipper to hold an amount of Entry or Exit Capacity as a pre-requisite to submitting an IBP Nomination is to be discontinued.

5.2. Tolerances

- 5.2.1 Article 50 of the Regulation provides that tolerances may only be applied in limited circumstances and, if applied, are considered as 'interim measures' under the Regulation. It is therefore proposed that tolerances be removed from the Code entirely.
- 5.2.2 The concepts of first tier and second tier imbalance charges on the basis of a Shipper Portfolio Tolerance will no longer apply in the Code.
- 5.2.3 The following defined terms are to be removed from the Code, with consequential amendments to be made to the Code drafting accordingly:
- a) Shipper Portfolio Tolerance
 - b) First Tier Imbalance Quantity
 - c) Second Tier Imbalance Quantity
 - d) First Tier Imbalance Price
 - e) Second Tier Imbalance Price
 - f) Entry Point Variance Tolerance

5.3. Daily Imbalance Quantity Calculation

- 5.3.1 Recognising the physical configuration of the system, each Shipper will be attributed Daily Imbalance Charges in respect of two balancing portfolios:

- a) System Balancing Portfolio; and
- b) Interconnector Balancing Portfolio.

5.3.2 The **Interconnector Balancing Portfolio** shall comprise the following Inputs and Outputs:

Interconnector Balancing Portfolio	
Inputs	Outputs
Moffat Entry	South North Pipeline (SNP) Exit
	Sub-Sea IC Offtake (Isle of Man)

5.3.3 Each Shipper shall have an Initial Daily Imbalance Quantity attributed to its Interconnector Balancing Portfolio based on the extent that its inputs are less than¹¹ its outputs.

5.3.4 The **System Balancing Portfolio** shall comprise the following Inputs and Outputs¹²:

System Balancing Portfolio	
Inputs	Outputs
<i>Moffat Entry (net)</i>	Inch Exit
Bellanaboy Entry	LDM, DM, NDM Exits
Inch Entry	Irish Balancing Point (IBP) Sell
Irish Balancing Point (IBP) Buy	

where ***Moffat Entry (net)*** means the amount (if any) by which the Shipper's Entry Allocation at Moffat in respect of a Day exceeds the aggregate of that Shipper's Allocations at the South North Pipeline and the Sub Sea IC Offtake in respect of the same Day.

- 5.3.5 Each Shipper shall have an Initial Daily Imbalance Quantity attributed to its Interconnector Balancing Portfolio to the extent that its inputs are not equal to its outputs.
- 5.3.6 Each Shipper shall have an Initial Daily Imbalance Quantity attributed to each of its balancing portfolios in respect of each Gas Day by no later than 17:30 D+1.
- 5.3.7 The Transporter shall disregard the Shipper's Entry Allocation in respect of Shrinkage Gas for the purpose of calculating the Shipper's Initial Daily Imbalance Quantity
- 5.3.8 At any time between 17:30 hours on D+1 and 17:00 hours on M+7 a Shipper's Initial Daily Imbalance Quantity for a Day may become a Revised Daily Imbalance Quantity as a consequence of a Reallocation between 17:00 hours on D+1 and 16:00 hours on D+5.
- 5.3.9 Each Shipper shall have a Final Daily Imbalance Quantity attributed to each of its balancing portfolios in respect of each Gas Day by no later than 17:30 D+7.

¹¹ Note that where Inputs are greater than Outputs in the case of the Interconnector Balancing Portfolio, no Imbalance Charge will apply.

¹² It is recognised that the Inputs and Outputs listed in 5.3.2 and 5.3.4 are not exhaustive. Further consideration is required in terms of the appropriate inclusion of further inputs and outputs in the respective portfolios, including those at Virtual Entry Points, Virtual Exit Points and in respect of the Virtual Inventory Point.

5.3.10 The Transporter shall disregard the Shipper's Final Entry Allocation in respect of Shrinkage Gas for the purpose of calculating the Shipper's Final Daily Imbalance Quantity.

5.4. Applicable Price

5.4.1 For the purpose of calculating a Shipper's Daily Imbalance Charge, the Applicable Price shall be determined as follows:

- a) the Marginal Sell Price, where the Final Daily Imbalance Quantity is positive (i.e. the Shipper's Final Inputs exceed its Final Outputs); or
- b) the Marginal Buy Price where the Final Daily Imbalance Quantity is negative (i.e. the Shipper's Final Outputs exceed its Final Inputs).

5.4.2 The **Marginal Sell Price** shall be calculated as follows:

- a) On a Gas Day in which the Transporter is involved in the sale of title products, the lower of:
 - i. the lowest price of any sales of title products in which the Transporter is involved in respect of the Gas Day; or
 - ii. the weighted average price of gas in respect of that Gas Day, less 10% of the weighted average price, and less Imbalance Gas Transportation Costs.
- b) On a Gas Day in which the Transporter is not involved in the sale of title products:
 - i. System Marginal Sell Price - Imbalance Gas Transportation Costs - Balancing Sell Contract Margin) x 0.9.

5.4.3 The **Marginal Buy Price** shall be calculated as follows :

- a) On a Gas Day in which the Transporter is involved in the purchase of title products, the higher of:
 - i. the highest price of any purchase of title products in which the Transporter is involved in respect of the Gas Day; or
 - ii. the weighted average price of gas in respect of that Gas Day, plus 10% of the weighted average price, and plus Imbalance Gas Transportation Costs.
- b) On a Gas Day in which the Transporter is not involved in the purchase of title products:
 - i. System Marginal Buy Price + Imbalance Gas Transportation Costs + Balancing Buy Contract Margin) x 1.1.

5.4.4 The **Weighted Average Price** shall be the energy weighted average price of trades in title products carried out on the relevant trading platform in respect of a Gas Day.

5.5. Daily Imbalance Charge

5.5.1 A Shipper's Daily Imbalance Charge in respect of a given balancing portfolio shall be calculated as follows:

$$\text{Daily Imbalance Charge} = \text{Daily Imbalance Quantity} \times \text{Applicable Price}$$

- 5.5.2 Where a Shipper has a positive Daily Imbalance Quantity¹³, it shall be deemed to have sold a quantity of gas to the Transporter equivalent to the Daily Imbalance Quantity and therefore shall be entitled to receive a credit in respect of the Daily Imbalance Charge from the Transporter.
- 5.5.3 Where a Shipper has a negative Daily Imbalance Quantity, the Shipper shall be deemed to have purchased a quantity of gas from the Transporter equivalent to the Daily Imbalance Quantity and therefore shall be obliged to pay Daily Imbalance Charges to the Transporter.
- 5.5.4 For the avoidance of doubt, a Shipper shall have a separate Imbalance Charge calculation in respect of each of its balancing portfolios.

5.6. Disbursements Account

- 5.6.1 The Disbursements Account process as detailed in Part E, Section 1.4 of the Code will remain unchanged for the most part, with the following exceptions:
- a) Whereas currently any credits due to a Shipper arising from the Daily Imbalance Charge methodology are cashed out on an annual basis, it is proposed that Shippers be cashed out on a monthly basis;
 - b) In order to maintain the Transporter's cash neutrality, a **Neutrality Charge** may be applied on a monthly basis amounting to the difference between the amounts received or receivable and the amounts paid or payable by the Transporter due to performance of its balancing activities, and which is payable to or recoverable from the relevant Shippers. Each Shipper shall be liable for payment of its portion of the Neutrality Charge proportional to its throughput.

5.7. After Day Trades & Scheduling Charges

- 5.7.1 After Day Trades, as currently provided for in Part E, Section 1.9 of the Code, allow two Shippers with opposing Daily Imbalance positions (one positive and one negative) to submit a request to the Transporter to trade some or all of their respective Imbalance positions with each other such that each Shipper's Final Daily Imbalance Quantity is adjusted accordingly.
- While After Day Trades represent a means by which a Shipper may reduce its exposure to Imbalance Charges after the day, it does not provide an incentive to the Shipper to maintain a balanced portfolio within the day. Accordingly, it is proposed that After Day Trades be discontinued.
- 5.7.2 Scheduling Charges, as currently provided for in Part E, Section 1.10 of the Code, applies a charge to each Shipper by reference to the absolute difference (in kWh) between a Shippers Valid Nomination and its Final Allocation in respect of a given point.
- 5.7.3 Given that a Shipper's Allocation at Interconnection Points will predominantly equal its Confirmed Quantity, it is proposed that Scheduling Charges are no longer necessary in respect of Interconnection Points. It is therefore proposed that Scheduling Charges shall not be applied in respect of Interconnection Points

¹³ Note that a positive Daily Imbalance Quantity is not possible in respect of the Interconnector Balancing Portfolio. See 5.3.3

5.8. Trade Notifications / IBP Nominations

- 5.8.1 Chapter 2 (Articles 4 & 5) of the Regulation covers the concept of ‘trade notifications’ (disposing and acquiring), which, according to Article 5.1, are submitted by Shippers to the Transporter to notify it of ‘*gas transfer between two balancing portfolios within the same balancing zone*’.
- 5.8.2 The concept of trade notifications is currently included in the Code in the form of IBP (Irish Balancing Point) Nominations, with an IBP Sell Nomination corresponding to a disposing trade notification and an IBP Buy Nomination corresponding to an acquiring trade notification. Therefore, for the purpose of this section 5.8, the terminology in the Code will be used.
- 5.8.3 The existing rules in relation to IBP Nominations comply with the requirements of the Regulation for the most part. It is therefore proposed that the existing Code rules be retained, with the following amendments to ensure alignment with the Regulation:
- a) the existing requirement that an IBP Nomination be matched by an equal and opposite IBP Nomination within 1 hour of submission is to be amended such that the time for achieving such a match is reduced to 30 minutes¹⁴.
 - b) the existing requirement that a Shipper must hold sufficient Active Entry Capacity or Active Exit Capacity, as the case may be, in order to submit a IBP Nomination is to be discontinued¹⁵.

¹⁴ See Code Part D 1.2.6 (e) (ii) for existing rule; see Regulation 312/2014 Article 5.5 for new requirement

¹⁵ See Code Part D 1.2.6 (e) (iv) for existing rule; see Regulation 312/2014 Article 4.3 for new requirement

6. ALLOCATIONS

6.1. General

- 6.1.1 Article 37 of the Regulation sets out the minimum requirements in terms of the timing of issuing Initial Allocations and Final Allocations. Please see Section 3.4 of this document for details. The Regulation does not specify an Allocation methodology.
- 6.1.2 Article 9 of the draft Interoperability & Data Exchange Network Code provides guidance on the methodology which may be applied to Allocations, including the establishment of Operational Balancing Accounts at Interconnection Points. It also stipulates that Transporters *'shall establish rules ensuring consistency between the allocated quantities at both sides of the interconnection point'*.

6.2. Allocation Methodology

- 6.2.1 A Shipper shall, subject to certain limits, receive an Allocation at an Interconnection Point equal to its Confirmed Quantity. In such circumstances, the Transporter and the Adjacent Transporter shall allocate the difference between metered quantities and the aggregate of Confirmed Quantities to an **Operational Balancing Account (OBA)** operated by the Transporters, whereby any underdelivery or overdelivery in respect of a given Gas Day is addressed by scheduling a corrective underdelivery or overdelivery in respect of the subsequent Gas Day.
- 6.2.2 Where the aforementioned limits are exceeded, a proportional allocation rule may be applied.
- 6.2.3 The Transporter is in the process of developing Operational Balancing Agreements with the relevant Adjacent Transporters at the respective Interconnection Points. The Operational Balancing Agreements will form part of the Interconnection Agreements between the Adjacent Transporters at the Interconnection Points.
- 6.2.4 Given that a Shipper's Allocations at Interconnection Points will predominantly equal its Confirmed Quantities, it is proposed that the following features of the existing Code be discontinued in respect of Interconnection Points (Note: propose retaining in respect Entry Points other than Interconnection Points):
- a) Facility for two or more Shippers, following receipt of Initial Entry Allocations, to agree on a different allocation between themselves of the Allocable Quantity at such Entry Point to the Initial Entry Allocations made by the Transporter, as currently provided for in Part D 2.5.3 of the Code; and
 - b) Facility for a Shipper to submit an Entry Allocation Adjustment Request as currently provided for in Part D 2.5.4 of the Code.