



14th October 2014

Nominations, Imbalance Charges & Allocations: EU Network Code Implementation Code Modification AO63

SSE welcomes the opportunity to respond to the Business Rules for Industry Consultation on *Nominations, Imbalance Charges & Allocations: Code Modification A063*. We would like to provide the following initial comments and look forward to discussing some of these issues in much greater depth.

Nominations

SSE recognises that the proposed Nomination Rules are reflective of the changes required by the EU at the IP and welcomes their implementation at all points on the network in a consistent manner. We encourage all TSOs at Moffat and other IPs to work together to produce streamlined and compatible processes and are mindful of the continued need to review Business Rules and Code Modifications, in relation to each other, to ensure the integrity and effectiveness of the final overall Irish Gas System.

Imbalance Charges

SSE does not support the implementation of Chapter VI of the Balancing Network Code in this manner at this time. The TSO's proposal completely redesigns the Balancing System (indeed creates 2 new Systems) and significantly modifies the charging methodology. It, at the same time, proposes to *substantially* increase the applicable Imbalance Charges.

SSE appreciates the TSO's aim of incentivising Shippers to balance and that the charges must be cost reflective. However Shippers are *already* incentivised to balance their portfolio. Indeed SSE would have little experience of falling into the current 2nd Tier balancing range and thus the removal of tolerances in-and-of-itself will be a significant change and an increase in costs for us. To then also increase these charges, at a time of *such* change, is extreme.

That we may recoup our cost via disbursements does not raise our confidence given the lack of transparency in the current charging and disbursement methodology. If at a Regulatory level the TSO chooses to emphasise its cash neutrality, we expect greater transparency at the Billing/Credit level on these matters. The move to monthly cash out is welcome as it will provide Shippers with an increased amount of information in a more timely manner. However Shippers should be given time to adjust to the new arrangements and evaluate their monthly disbursements. The TSO cannot truly anticipate how Shippers will operate post Oct15 and should not be deterring the development of the new market.

Referring to the EU Network Balancing Code and comparing it to Section 5.4.3 of the current proposal, Article 25 determines the Applicable Price as the marginal sell or buy price calculated as the lowest and highest trade price respectively involving the TSO or the weighted average price minus/plus a small adjustment. SSE does not agree that 10% is a small adjustment. However the Article does later state that the TSO can apply an adjustment not to exceed 10% SAP. We feel it extreme for the TSO to have increased the adjustment from the current 5% to the maximum permitted as part of the system redesign. We also do not believe that these adjustments should be applied to the transportation costs as suggested in 5.4.2 b) and 5.4.3 b) nor that 10% SMPbuy (or SMPsell) does not exceed 10% SAP.

If scheduling charges are discontinued at Interconnection Points they should concurrently be discontinued at the Exit Points. If references to both tolerances and scheduling charges are



being removed from the Code then the application of scheduling charges above specified tolerances should not be maintained at the Exit Points. Furthermore if the TSO truly wishes the Shippers to increase the accuracy of their nominations, *reducing occurrences of the System being left long*, then the current severe Capacity Overrun charges should be reviewed. From an operational viewpoint, Overrun Charges impact upon late evening nominations as Traders are led to overestimate their gas requirements in their attempt to prevent Capacity Overrun charges. As part of the system redesign, if Shippers are to be increasingly penalised for overestimating gas use it seems logical to request the TSO to reduce one of the upward drivers on the process.

With regard to the proposal for separate Entry and Exit Balancing Zones, SSE believes the creation of the separate Interconnector and Onshore Systems is appropriate for inclusion in the current redesign. SSE also looks forward to a time when gas can physically flow from the Onshore as well as the Interconnector system into the South North Pipeline.

Allocations

SSE welcomes the inclusion of the Interoperability text referring to the requirement for consistency at both sides of interconnection points and recognises the TSO's work in coordinating with the other TSOs on these matters. The "allocate as nominate" guide is a familiar concept and has been expected. SSE is aware that the Interconnection Agreements between TSOs can, in some cases, have an impact on Shippers and looks forward to receiving further information on this matter once agreement has been reached,