



Irish Offshore
Operators'
Association

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Mr Conor Long,
Gas Networks Ireland,
Gasworks Road,
Cork

10 February 2016

By email: conor.long@gasnetworks.ie; marketdevelopment@gasnetworks.ie

Re: **Code Modification A071: Alternative Capacity Arrangements in event of GNI Interruptions to Flows**

Dear Conor,

IOOA fully supports the introduction of Code Modification A071. It is a welcome development of current Code arrangements that should help mitigate the exposure faced by shippers through no fault of their own when the transporter is unable to make booked capacity available.

Nevertheless, IOOA would query why this proposal focusses on Moffat as being the sole source of alternative capacity? It is not beyond the realms of possibility that other entry points may be able to play the same role, if not now then possibly in the future. The proposal should be suitably reworded to this effect.

Other than this point, based on the discussion at the last code mod meeting on A071, IOOA's members have the following additional comments:

- Perverse Incentive – IOOA's members agree with A071 that the unintentional perverse incentive that currently exists whereby by interrupting customers GNI can increase its capacity booking revenues must be removed.
 - GNI Operations - A071 will not affect GNI operations. GNI's engineering staff should continue to operate the network in a safe and efficient manner. This code mod just means that in the event of an operational upset or need for maintenance affecting an entry point that alternative entry capacity will be provided at no extra cost to the shipper affected. This will not impact on GNI operations.
 - Revenue Forecasting - A071 will not affect GNI forecasts of revenues as these events happen infrequently and GNI will still continue to receive the capacity booking revenues at the affected entry point. Regular outages due to maintenance occur in the summer periods when tariffs are at their lowest and operational upsets infrequent and impossible to predict so loss of revenues from loss of capacity bookings due to A071 will not be material from a tariffing revenue perspective.
 - Discrimination under New Tariffing Regime - Under the old tariff regime there was an incentive for entry points to minimise investment as ultimately the producer at an entry point would end up paying for that investment; under the new tariffing regime a great portion of
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the system entry costs are smeared over all users so the incentive on producers to keep entry costs low at its entry point is eliminated. As a consequence the level of redundancy at the Moffat entry point is substantially higher than that at Inch or Cappagh South. This means that there is a higher risk of outages occurring at the latter entry points than at the former. A071 is required to ensure that shippers at the Inch and Cappagh South entry points are not discriminated against when compared to shippers accessing Moffat due to the high level of redundant capacity that shippers at Moffat can call upon should there be an operational upset at Moffat.

- Short Term Market Distortion - Considering that there will be excess capacity at the Moffat IP for the foreseeable future, no shippers purchasing short term capacity at Moffat will bid prices higher than the auction reserve regardless of whether that shipper receives free capacity under A071 or not.

Yours sincerely,

Steve Boldy
Chairman IOOA Gas Sub-Committee and on behalf of:

AzEire Petroleum
Cairn Energy,
Eni,
Faroe Petroleum,
Fastnet Oil & Gas,
PSE Kinsale Energy,
Kosmos Energy,
Lansdowne Oil & Gas,
Providence Resources,
Repsol,
San Leon Energy,
Serica Energy,
Shell,
Statoil,
Vermilion Energy Ireland,
Woodside.

Cc: Patrick Shannon Chairman IOOA
IOOA Management Committee
IOOA Gas Sub-Committee
John Melvin CER (jmelvin@cer.ie)
