



Irish Offshore
Operators'
Association

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Mr Aidan Hogan,
Gas Networks Ireland,
Gasworks Road,
Cork

15 February 2016

By email: aidan.hogan@gasnetworks.ie; marketdevelopment@gasnetworks.ie

Re: Balancing Options Assessment

Dear Aidan

IOOA's members welcome the opportunity to respond to the Balancing Options Assessment report. Below are the comments from IOOA's members:

Timelines - Article 45.1 of EU Regulation 312/2014 states that "*Balancing actions undertaken by the transmission system operator in case of interim measures shall foster the liquidity of the short term wholesale market to the extent possible.*" Article 45.4 of EU Regulation 312/2014 states that "*The report shall foresee the termination of the interim measures no later than five years from the entry into force of this Regulation.*" It is clear from what GNI are proposing that GNI do not plan on taking any real steps towards fostering the liquidity at the IBP until the end of the interim measures period in 2019. IOOA's members are baffled at the timelines that GNI are now proposing to follow to enhance liquidity and create a balancing platform. It appears that GNI are now targeting the implementation of a balancing platform for 2019 which is in contradiction with the spirit of Regulation EU 312/2014.

Recommendation No. 1 - Continuous Monitoring – Recommendation No. 1 states that GNI propose to continuously monitor market developments from 2016-2019. However, it is not clear how GNI will determine whether there is sufficient activity and liquidity; GNI need to detail this.

Recommendation No. 2.2 - Do all shippers know who the balancing contract is with? GNI need to publish this in order for this to be effective. Furthermore the notice period should be specified; IOOA members would recommend at least a 4-hours' notice period.

Recommendation No. 2.3 – For IOOA's members it is unclear why the forecast will only change if a balancing action is scheduled. If shippers face imbalances small enough for GNI not triggering a balancing action, these imbalances would impact the gas quantity within the GNI system.

Recommendation No. 2.4 – Further Reduction in Tolerances – As advised previously (letter to GNI dated 24 March 2015), IOOA's members support the interim measures of reducing tolerances in gas year 2015/16 and support the full removal of tolerances in 2016/17. IOOA's members believe that the removal of tolerances should be coupled with the removal of imbalanced penalties, other than say a minimum differential between SAP and the applicable SMP.



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Recommendation No. 3 - Multi-Party Framework Contract – GNI should not wait until 2017-2019 to complete this. This should be done as soon as possible to allow all shippers in Ireland the opportunity to participate in balancing market and to create liquidity. From Recommendation No. 1 of the report it appears that GNI propose to maintain the current balancing services contract indefinitely. This is unacceptable and will not aid in developing liquidity at the IBP.

3.2 Balancing Platform – Report states that a balancing platform could take the form of a manual solution, using email and spreads – GNI should not wait until 2017-2019 to complete this. This should be done as soon as possible to allow all shippers in Ireland the opportunity to participate in balancing market.

3.3 Balancing Services Contract – Current Practise – There is no mention of how capacity is booked under the existing arrangements. This has a major influence on the price of balancing gas and transparency is required around this.

3.3 Transporter Assessment – IOOA's members agree that it is prudent that a balancing services contract of last resort contract be in place as stated in our previous letter (24 March 2015). In our previous letter IOOA's members stated that *"Until the IBP is determined as being sufficiently liquid, GNI should also give consideration to a balancing services contract of last resort from the NBP. IOOA's members strongly support the principle that the most efficient source of gas should be used on the day, be it from domestic production, domestic storage, Irish shippers, Irish consumers, or from the NBP and that the balancing arrangements under development should reflect this. Having the option to access both IBP and NBP should give the most efficient outcome with NBP acting effectively as a price cap."* It is also important that for any balancing services contract of last resort that GNI outline its' thinking on the type of capacity that will be booked to source gas for balancing services contract of last resort. IOOA's members consider that the balancing services contract of last resort should book entry capacity on a short term basis either directly from GNI or as secondary capacity; whichever is cheapest on the day.

Other Issues - Is the delivery point for gas sold under balancing contract changing to IBP to 2016/17 – It is not clear from the report.

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,



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Kosmos Energy,
Lansdowne Oil & Gas,
Providence Resources,
Repsol,
San Leon Energy,
Serica Energy,
Shell,
Statoil,
Vermillion Energy Ireland,
Woodside.

Cc: Patrick Shannon Chairman IOOA
IOOA Management Committee
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