



An Coimisiún  
um Rialáil Fóntas  
Commission for  
Regulation of Utilities

**CODE OF OPERATIONS  
NOTICE TO SHIPPERS  
PURSUANT TO PART E SECTION 1.6 OF THE CODE OF OPERATIONS  
PROPOSED MODIFICATION**

**CODE MODIFICATION PROPOSAL A089 CHANGES TO DAILY IMBALANCE CHARGES:  
SECOND TIER IMBALANCE**

**COMMISSION'S RATIONALE**

Pursuant to Section 13 (1) of the Gas (Interim) (Regulation) Act, 2002, the Commission approved Code Modification A089 "Changes to Daily Imbalance Charges: Second Tier Imbalance Price".

This approved modification will come into effect on 1 March 2018. The rationale is set out below.

**BACKGROUND**

In September 2016, the CRU approved the Transporter's proposal (Code Modification A074) to amend the second tier imbalance multipliers from 0.95/1.05 to 0.75/1.25.

At that time, the amendment of the multipliers was a necessary and proportionate response to Shipper behaviour as evidenced in summer 2016, when Shippers were leaving the gas system significantly out of balance at the end of the gas day.<sup>1</sup> Code modification A074 was introduced to better incentivise Shippers to balance their individual portfolios at the end of the gas day. In

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<sup>1</sup> On the 9<sup>th</sup> July, during the commissioning period of Corrib, 15 GWh was left on the GNI system. By comparison a Peak day is 204 GWh.

addition, this amendment was intended to have a positive effect on the disbursement account, by reducing the number of balancing actions necessary on the part of the Transporter.<sup>2</sup>

## **BRIEF OUTLINE OF THE PROPOSED CODE MODIFICATION**

As Shipper behaviour has improved, the CRU is of the view that the multipliers should be restored to their pre-existing levels (+/-5%). On that basis, this code modification will reflect the imbalance charges that were in place at the beginning of 2016, namely:

- Part E, Section 1.6(d)(i)(1) – the current multiplier of 0.75 will change to 0.95
- Part E, Section 1.6(d)(ii)(1) – the current multiplier of 1.25 will change to 1.05

Therefore, this modification will increase the price being paid to Shippers for Second Tier Imbalances where they have a positive imbalance at the end of a gas day and decrease the charge being levied on a Shipper for Second Tier Imbalances where they have a negative imbalance quantity at the end of a gas day.

It should be noted that these multipliers will be reviewed regularly with incremental changes of +5% in the event that Shipper behaviour deteriorates.

## **REASONS FOR APPROVAL OF THE PROPOSED CODE MODIFICATION**

The Commission deems it appropriate to revert back to the pre-existing multipliers in light of improved Shipper behaviour and the full implementation of the trading platform in the coming months.<sup>3</sup>

The Commission will continue to monitor the Balancing regime and its development under the trading platform arrangement to assess the success or otherwise of the regime and consider the tolerances within the scope of such a review. As part of the overall Balancing framework, the Commission will consider inter alia the role of tolerances and whether there is a requirement to either modify or phase out the tolerance levels entirely.

Responses from industry participants to this Code Modification were overall in favour of reverting the multipliers back to the pre-existing levels. One Shipper highlighted a preference to revert –

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<sup>2</sup> i.e. reduce the total net amount of money being spent by the Transporter on behalf of all Shippers to cashout individual Shippers.

<sup>3</sup> The Transporter is expecting to participate on the trading platform in Q2 2018.

back on a gradual basis (i.e. revert to +/- 15% for two months) where Shippers were aware that their continued good behaviour would be rewarded with further decreases.

