



Irish Offshore  
Operators'  
Association

## Irish Offshore Operators' Association

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Mr. Andrew Kelly,  
Gas Networks Ireland,  
Gas Works Road,  
Cork,

13 July 2018

By email: [Andrew.Kelly@gasnetworks.ie](mailto:Andrew.Kelly@gasnetworks.ie); [MarketDevelopment@gasnetworks.ie](mailto:MarketDevelopment@gasnetworks.ie)

**Re: Code Modification A094 & A095 Consultation**

Dear Andrew,

Please see below IOOA's members answers to the questions outlined in the A094 & A095 Consultation:

**5.1 A094: Changes to Shipper Portfolio Tolerances**

**Q1. What do you believe is the appropriate tolerance level for each category of customer?**

- LDM 0%;
- DM 0%;
- For the NDM the balancing network code mandates that an NDM shipper can be given a tolerance to cover the difference between the TSO forecast and allocation – for each NDM shipper we consider that the tolerance should be the difference between the nomination (at the TSO forecast level) and the allocation rather than 2.5% as is currently the case; providing a 2.5% tolerance to NDM shippers may provide a commercial advantage to NDM shippers with large NDM portfolios.

**Q2. What are your views as to the appropriate dates for the two step reduction proposed?**

- The previous suggestion of a step down for two months was pointless as the new tolerances would have been bedding in before a change would occur again. It is questionable whether there is time available for a meaningful period of reduced tolerances to be implemented and whether a twostep reduction required at all.

**5.2 A095: Revised Methodology for calculation of Daily Imbalance Charges**

**Q3. What is your view as to the magnitude of the small adjustment to be used in the calculation of the marginal sell price and the marginal buy price?**

- IOOA's members note that for any first tier imbalances that occur (related to NDM portfolio) that the applicable IBP SAP or NBP SAP will apply which seems reasonable.
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- IOOA's members acknowledge that GNI has listened to industry and proposed a smaller adjustment of 3.5% which is reasonable and more in line with small adjustments seen elsewhere throughout Europe.
- Article 19.3 of the EU network balancing code states that a "*daily imbalance charge shall be cost reflective and shall take account of prices associated with transmission system operator's balancing actions, if any, and of the small adjustment referred to in Article 22(6).*". The small adjustment applied under the new balancing regime should be reviewed on a regular basis with the review determining the net cost of implementing balancing actions on the GNI system and whether the "small" adjustment being applied is cost reflective and appropriate considering that the small adjustment needs to be an incentive to balance; not a penalty -the first review should be completed after six months.

#### **Q4. Do you believe the liquidity threshold criteria provided above are appropriate?**

- GNI has proposed the following metric:
  1. An average of at least 3 trades on a day
  2. An average of at least 3 Shippers being party to a trades on a day
  3. An average of at least 150 kTherms being traded on a day
  4. Metrics 1-3 being met on at least 90% of days in the period under review.
- Bullets one, two, three and four above appear reasonable.
- IOOA's members would like to know upon completion of the liquidity review what happens if metrics above are not met?
- Also will the above metrics in bullets one, two and three be used as a guidance as the minimum requirements before IBP SAP can be set / published on a day?

#### **Q5. What is the appropriate date for the implementation of the new methodology for calculation of the cashout prices?**

- 1 October 2018 and it should coincide with the removal of tolerances.

Yours sincerely,

Brian McGlinchey  
Chairman IOOA Gas Sub-Committee  
Cc: Patrick Shannon Chairman IOOA  
IOOA Management Committee  
IOOA Gas Sub-Committee