



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**CODE OF OPERATIONS**

**NOTICE TO SHIPPERS**

**PURSUANT TO PART I SECTION 1.3 OF THE CODE OF OPERATIONS**

**PROPOSED MODIFICATION**

**CODE MODIFICATION PROPOSAL A069 BACK UP CAPACITY ARRANGEMENTS UNDER  
NEW TARIFFING REGIME**

**COMMISSION'S INSTRUCTION**

Pursuant to Section 13 (1) of the Gas (Interim) (Regulation) Act, 2002, the Commission hereby rejects modification AO69 "Backup Capacity Arrangements under New Tariffing Regime".

A brief outline of the proposed modification and reasons for the rejection of this proposed Code Modification are outlined in the annex below.

Signed: \_\_\_\_\_

  
Aoife MacEivilly, Commissioner

Issue Date: \_\_\_\_\_

19/4/16

## ANNEX

This Annex outlines reasons for the rejection of this proposed Code Modification AO69 “Backup Capacity Arrangements under New Tariffing Regime”.

### Brief outline of the proposed Code Modification

(Note: This is not intended to provide full details of the proposed code modification. Parties interested in reading the full text of the proposed code modification should refer to the [TSO website](#).

The Code Modification proposal was submitted by the Irish Offshore Operators Association (IOOA) and proposed;

*“that where a shipper at one entry point has booked entry capacity and where that shipper has a requirement to access a short term entry product at another entry point (back up capacity) due to a reduction / cessation of gas supplies at its primary entry point that the short term tariff payable by the shipper at the secondary entry point will be the daily / monthly / quarterly multiplier of the primary entry tariff for that entry point calculated under the matrix methodology and not the aggregate tariff (primary and adjustment / smeared)”*

This facility was to be available regardless of the details of the unavailability of the entry point (e.g. producer or TSO led unavailability, technical or commercially driven unavailability, full or partial unavailability).

### Reasons for rejection of the proposed Code Modification

1. The use of a back-up capacity product would be available at The Moffat Interconnection Point. As per the requirements of the Capacity Allocation Mechanisms Network (CAM) Code<sup>1</sup>, a suite of standardised capacity products must be available at such interconnection points, each such product to be made available at uniform prices (one price per product per period of time). The introduction of a back-up capacity product would result in differentiation in the effective prices paid for such standardised products. The Commission is of the view that this would not be compatible with the requirements to offer standardised capacity products at uniform prices at Interconnection Points.
2. The proposal lacks identifiable sections of the Code of Operations that would require amendment. Rather, the focus is on the effective tariff to apply. The applicable tariffs are not a function of the Code of Operations but rather a function of the CER exercised under the Gas (Interim) (Regulation) Act, 2002.

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<sup>1</sup> [Regulation \(EC\) 984/2013](#)

3. The Commission notes that a previous modification proposal (Code Mod 4A & 4B) introduced a similar back-up capacity mechanism in 2002. At the time of this modification proposal, there were no short-term (primary) products available at Entry Points. At that time therefore, if there was an interruption, for any reason at an entry point, the only product offered by the TSO at other entry points was annual capacity. Subsequently, short-term capacity products were introduced in 2007. The presence of short term capacity products from 2007 allowed shippers the flexibility to respond to any temporary unavailability of an entry point.  
In October 2015, as part of the European Network Code modifications, the provisions of Code Mod 4A & 4B were removed.

Given the continuing presence of short term capacity products, the Commission does not consider there to be any flexibility deficit in the current code such that a specific backup entry capacity product is required.

- 4 The Code modification proposal does not define specific parameters as to when the proposal may apply (e.g. producer or TSO led unavailability, technical or commercially driven unavailability, full or partial unavailability). The Commission notes that following the discussions of the Code Mod Forum on this matter, a further Code Mod proposal was raised dealing with TSO led unavailability of an entry point. This Code modification proposal (Code Mod Ao71) will be considered in due course.

Regarding upstream issues (i.e. non TSO related unavailability of the entry point) the Commission considers that it is a commercial matter for producers and their customers to place a value on flexibility. While the Commission is cognisant that the cost of flexibility products offered by the TSO may influence such commercial discussions, it is nevertheless a commercial matter between producers and their customers.

As such noting the presence of flexibility products offered by the TSO (e.g. short term products), the Commission considers it appropriate the Code of Operations should directly deal with TSO-Shipper interactions. Interactions between Shippers and Producers should be dealt with elsewhere.

