

Notice of Decision

The Irish Gas Transmission System Operator, Gaslink, submitted an Interim Measures Report to the CER on April 7th 2015. This was submitted following intensive industry consultation on EU Balancing Network Code (Commission Regulation 312/2014) requirements over the past 9 months. The TSO proposed to split the implementation of the Network Code on Balancing into two parts; the first covers the requirements related to Nominations, Allocations and Information Provision, and these requirements are being implemented for Oct 2015. A Code modification (A063) detailing the required changes to the Code of Operations to implement new Nomination, Allocation and Information provision procedures has been approved by the CER in this regard. The second part covers the elements of the Network Code relating to Operational Balancing, Daily Imbalance charges and it is these requirements that are the subject of the request to apply Interim Measures.

The Interim Measures report, while it acknowledges the existence of a competitive gas supply market in Ireland, details the lack of short term wholesale liquidity at the Irish Balancing Point (IBP) and the fact that Ireland relies heavily on unidirectional gas flows from the UK. In addition the impact on gas network flows following the introduction of a new gas field (due to commence late 2015) into the Irish market is as yet unknown.

The Interim Measures report proposes steps to increase liquidity in the Irish market and also details the TSO's intention to progress (under the provisions allowed in Article 9 (3)) the ability to trade in an adjacent balancing zone (i.e. at the UK National Balancing Point (NBP)), which will require cross jurisdictional NRA and Govt. coordination.

The TSO has proposed that for Oct 2015 the following initial Interim measures will be taken:

- Current tolerance levels allowed for LDM and DM shippers will be reduced, again to increase the onus on shippers to balance their portfolios.
- Amendment of the daily imbalance cash-out price
- A feasibility study into the establishment of a Trading platform, and a Balancing platform at the Irish Balancing Point will be conducted.
- Short term standardised product definitions will be developed.
- A Feasibility study into the TSO accessing an adjacent trading platform will be carried out.
- The TSO will continue to competitively procure balancing service contracts, and make will adjustments to service provision to increase liquidity at IBP

The Regulation requires the National Regulatory Authority to consider the effects of the proposed interim measures on;

- balancing regimes harmonisation,
- facilitation of market integration,
- ensuring non-discrimination and effective completion,
- and the efficient functioning of the gas market.

As noted above, the Nominations, Allocations and Information Provision requirements of the code are being implemented in full for Oct 2015. This will aid in the harmonisation of balancing regimes across the EU.

The CER considers that the proposals to stimulate liquidity in Ireland by investigating the establishment of a trading platform in Ireland will also aid in the harmonisation of balancing regimes.

It is the CER's view that given the dependency of Ireland on gas flows from the UK in the longer term, that there will be a need to have access to balancing gas at a UK platform. The CER considers that creating trading access for the Irish TSO within the UK Balancing market will meet the objective of facilitating greater market integration, by creating strong linkages to the NBP which is recognised as one of the most liquid hubs in Europe.

The interim measures as proposed are non-discriminatory in that they apply to all shippers. Furthermore the report aims at increasing liquidity at the IBP and ensuring that all market participants can provide balancing gas at the IBP where so desired. Several of the proposed changes to be implemented by Oct 2015 will, it is hoped, increase the ability of smaller market players to take part in the provision of balancing service contracts, which will increase competition.

The CER considers that the proposed measures detailed in the Interim Measures report will maintain the efficient functioning of the Irish gas market both in the initial stages with tolerance reduction and ZIP removal, and in the longer term with the progression of the establishment of a trading platform and providing TSO access to the adjacent balancing zone. The Interim measures as proposed by the TSO are, in the CER's view, sensible in terms of the changes proposed for Oct 15 and also the time allocated to develop the more detailed measures of trading platform establishment. The CER has consulted with adjacent Regulatory Authorities (OFGEM and the Utility Regulator of Northern Ireland) on the Interim Measures report and there have been no adverse comments received.

The CER will notify the EU Commission and ACER of the CER's approval of the Interim Measures report as submitted by the Irish Gas TSO Gaslink with regard to the implementation of Commission Regulation 312/2014.

Ends