

# Code Modification Forum

Minutes of meeting – 11 December  
2019



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# 1 Standing Items

## 1.1 Approval of minutes of previous meeting

The minutes of the Code Modification Forum (“**CMF**”) Meeting of 16 October 2019 were agreed and approved.

For supporting information, to be read in conjunction with these minutes, please see the slides presented at the 11 December meeting.

## 1.2 Review of action items

The actions from the previous CMF Meeting of 16 October were reviewed and discussed.

The Transporter gave an update on open actions as per slide 4 of this meetings presentation pack.

In relation to Action Item C571 the Transporter referred to later Slides which dealt with the settlement procedure for each Shipper’s Disbursement position at the end of each Gas Year and it was proposed to close this Item.

Action Item C572 would remain open, the Transporter confirmed that it was monitoring, on an ongoing basis, the initial 25% Tolerance for RNG Entry Point.

Action Item C574 required Shippers to forward Submissions to CRU in relation to their post I-SEM experiences of dead-band LDM capacity booking. The CRU confirmed that one such submission had been received. The Transporter stated that they had received a second claim, with an indication of a third claim, under the LDM tolerance exemption for power generators dispatched on by Eirgrid in the dead band period. The Transporter was satisfied with the paperwork submitted with the claim and had applied the tolerance. The Transporter confirmed that it had circulated a note specifying the supporting documentation required for such claim. The CRU informed the meeting that it was dealing with the query from ACER regarding the limited tolerance regime still allowed in Ireland, one of only two countries in the EU still applying tolerances. The Action Item would remain open.

Action Items C575 required the Transporter to forward to the CRU a report on the unsatisfactory IP Nomination behaviour during the outage at Bellanaboy during late September/early October 2019. This report was submitted and the Item could be closed.

Action Items C572 and C574 would remain open.

### 1.3 GNI Scheduled Maintenance Update

The Transporter referred to Slides 5 and 6. It was confirmed that all of the outstanding Gas Year 2018/2019 activities had been successfully completed without flow interruption or in conjunction with producer operator planned shutdowns. The three current planned maintenance activities for the 2019/2020 Gas Year were referred to with a confirmation from the Transporter that they would be updated at subsequent CMF Meetings as relevant.

### 1.4 Brexit and ROI Gas Market

The Meeting was addressed by Paul Hearty and Celine O'Neill of the Customs Section of Irish Revenue.

They stated if the Conservatives win the general election on the following day it could be assumed that the United Kingdom would formally exit the EU on 31 January next with a transition period running to 31 December 2020. If the UK require an extension to the transition period beyond the end of 2020 they must apply for this extension by 30 June next.

It was emphasised that in no circumstance will a Shipper not be required to lodge customs declarations following the end of the transition period. It is an EU legislative requirement that imports into the EU from a non-EU jurisdiction must be the subject of a customs declaration. In this case there is no fiscal risk so the most simple declaration procedure will pertain with an importer simply required to file a custom declaration by the tenth day (not business day) of each month to the revenue clearance system. The ten day period is mandatory under EU legislation, however revised declarations can also be filed.

In answer to a Shipper query the Transporter confirmed that it would file the custom declaration in relation to natural gas exported to the United Kingdom to the HMRC who, no longer bound to EU law, have instructed that it is the TSO's responsibility to carry out custom declarations.

In response to a further Shipper query, the Transporter confirmed that it is the gas importer into Ireland, i.e. who nominates at the Irish Entry Point, who will be responsible for filing the Customs Declaration.

Furthermore the Transporter confirmed that it is in discussion with Irish Revenue in relation to the treatment of VRF and that they will revert to the Forum in relation to this should the Shipper be required to be involved, once a final agreed process is in place.

The Revenue Officials emphasised and encouraged Shippers to contact them on an individual basis, (two of the Shippers had already done so), to discuss their own respective declaration arrangements. The Transporter can provide relevant contact details if required (Aine.Spillane@gasnetworks.ie). It was also stated that Irish Revenue were presently upgrading their reporting system and expected that to be

completed in advance of the initial transition period. They advised Shippers not to update their software systems until this upgrade is complete.

## **2 Code Modification Proposals**

### **2.1 A087 – New Framework for Suppliers in PPM Market**

The Transporter reported that there had been three meetings of the PAYG Front Office Arrangements Working Group, with a fourth meeting to be arranged for next January. Most of the technical issues had been resolved with the question of the legal structure of the new arrangements outstanding. It had to be resolved whether the new arrangements would be fully incorporated in the Code of Operations or partially in the Code and in an ancillary agreement/document. The Transporter had come to a decision on its approach to the implementation of the new framework and would be making a full presentation to the Working Group in advance of the forthcoming meeting in January.

### **2.2 A096 – Data Sharing Agreement/ A096A- Model Clauses to address a Hard Brexit**

The Transporter referred to the revised legal drafting circulated to the CMF Mailing List a day before the December CMF Meeting, which was same as that circulated to the Mailing List in advance of the October CMF Meeting with the exception of two sub-sections deleted at the request of two Shippers before the end of the review process. The Transporter confirmed that it agreed with the deletion of these provisions which were not in line with legal obligations under the legislation. The CRU confirmed that the legal instruction will be issued the following week.

### **2.3 A099 - CNG Supply Point Capacity Setting**

The Transporter introduced this Code Modification Proposal, following representations from multiple Shippers a development threat to the nascent CNG in transport project. CNG offtakes are classified as Daily Metered sites, regardless of actual consumption and, under this category the Supply Point Capacity (SPC) is set at the highest gas usage during the review period. This may result in CNG becoming cost prohibitive as capacity costs are based on the highest consumption day in a year and hinder the development of the CNG market, a significant driver in decarbonizing the transport sector.

Under the Proposal , a) the SPC setting process for existing and new CNG offtakes will be reset on a three monthly basis, based on a retrospective calculation of the peak seven day rolling average for the three month review and, b) a Shipper at CNG Offtakes will not be liable for SPC Overrun Charges or ratcheting.

This Proposal received unanimous support from contributing Shipper Representatives who stressed the urgency of its implementation in view of the present difficulty for existing and potential CNG Offtakes in developing viable business cases for this product. The CRU noted the comments raised by the attendees including that the proposal tabled appeared practical. The CRU (as part of the standard process) would now have to consider the proposal further. To aid in such the CRU asked parties for written submissions outlining their rationale for or against the proposal and directed that such submissions should be forwarded to the Transporter by close of business on Friday 20 December 2019.

## 2.4. Summary Status of Code Modification Proposals

The Transporter summarised the present position in relation to Code Modification Proposals. Presently there were four live Proposals and it was expected that Directions in relation to both A096A and a modified version of A096 will be issued in the next week together with A096A after which the Transporter would release updated Code of Operations Version 5.03.

Number	Proposal	Proposer	Status
<b>A087</b>	New Framework for Suppliers in PPM Market	GNI	Under review
<b>A096</b>	Data Sharing Agreement	GNI	Under Review/Legal Drafting for part
<b>A096A</b>	Model Clauses to address a Hard Brexit	GNI	Live/Legal Drafting
<b>A099</b>	CNG Supply Point Capacity Setting	GNI	Under Review

## 3 Other Agenda Items

### 3.1 Shipper Nominations

At the October CMF Meeting the Transporter detailed two incidents of unsatisfactory nomination behaviour on the part of two Shippers which led to considerable discussion prompting the CRU to invite submissions from Industry in advance of this Meeting. When introducing the collated responses from the two Shippers, the Transporter stated that there had been no recurrence of the incidents which occurred on the 2<sup>nd</sup> and 3<sup>rd</sup> October during an unscheduled Corrib shutdown however, the problem of intra-day imbalances was ongoing.

The Transporter referred to Slide 12 where the first submission (Shipper A) was summarised. The main contention of this summary was that the Transporter should deal with system imbalance scenarios by trading and the provision of timely signals to the market. Ultimately any persistent misbehaving Shipper can be sanctioned by the CRU under its Licence oversight role. The Transporter commented that with increasing experience and expertise it was more active on the platform in recent times (as acknowledged by Shipper A), it took issue with offending Shippers and, where appropriate, reported the behaviour to the CRU. As suggested by this Submission, the Transporter will continue to raise incidents of unsatisfactory nomination behaviour at future Code Modification Forums, while preserving the anonymity of the Shipper, indicating whether or not the Shipper had previously exhibited unsatisfactory nomination behaviour.

The Transporter stated that the standard required of Shippers in the Code of Operations was that they would use *'reasonable endeavours'* to ensure its *'Initial Inputs and Final Inputs are equal to its Initial Outputs and Final Outputs respectively'*. Getting a generic legal definition of the *'reasonable endeavours'* standard was problematic, it was easier to consider the circumstances of each unsatisfactory incident and apply the standard, taking into account all the factors involved while assessing whether such behaviour was reasonable and prudent – a criteria which is attached to Shippers as well as the Transporter in the operation of the transportation system. The Transporter was continuing to liaise with its legal advisors on this matter.

A Shipper Representative contended that the reasonable endeavours standard was a hangover from the era when Shippers were obliged to stay in zip and therefore no longer relevant. Nomination decisions were commercially driven and the reasonable efforts criteria might be satisfied if the Shipper could show that its actions were reasonable in the context of the financial losses it might suffer on a day if it did not engage in the particular nomination actions. It was argued that the Transporter should rely on its trading tools.

The Transporter then spoke to Slides 13 and 14 which summarised the IOOA submission. The IOOA questioned the effectiveness of the Transporter Notification to Shipper procedure that a “boy that cries wolf” syndrome was emerging. The Transporter should consider the policy of National Grid in this area and should not hesitate in effecting trades on the trading platform as system balances required. Sending letters to Shippers after the event had limited sanction affect and the Transporter should explore its sanction powers under the *'reasonable endeavour'* provision in the Code. It suggested that there may

be an issue relating to the size of the shortfall when there is an outage at Corrib and the Transporter should review their readiness for this event. It considered that the Transporter should consider and review with Shippers whether it was appropriate that Shippers who leave the system short were charged the daily Moffat capacity charge on days when the IBP SAP is not set. It stated that removing tolerances will be a further incentive for Shippers to balance. The Transporter stated that it would continue to review its balancing tools and its potential sanctions and, with the consent of the CRU, would keep this matter as an Agenda Item at Forum meetings until there was consensus that it was a satisfactory resolution.

### **3.2 Action 571 - Close out of Disbursements Account**

The Transporter referred to 25 and 26 which detail the Disbursements Account independent audit and subsequent disbursement process. The Transporter pointed out that, since October 2017, Shippers' disbursement invoices/credits are settled on a monthly basis. As a result now only stock, bank interest, bank charges and audit fees are outstanding for cash out at the end of the audit process.

### **3.3 Shrinkage Gas Discussion**

The first part of this item involved the Transporter Shrinkage Gas Report and the subsequent Industry submissions. The Transporter referred to Slide 19 detailing the Transporter remedial actions in this matter and provided an update on each one. In response to a Shipper Representative query the Transporter confirmed that there would be no more rebates as a full reconciliation had now been finalised. The Transporter was constantly monitoring UAG as Corrib production declined, devoting more resources to reviewing the causes of UAG, and comparing the outcomes with the National Grid figures in this area and with other TSOs across Europe. In response to a Shipper Representative request the Transporter agreed to prepare and forward graph illustrating estimated against actual UAG volumes.

The Transporter then referred to Slide 21 where the Transporter had, as instructed by the CRU, furnished an indicative value of tariffs had a shrinkage cost been included in the Transmission Services Revenue (TSR) for the Gas Year 2019/2020. This allowed Shippers compare and contrast these indicative tariffs with their 2019/2020 monthly shrinkage bills. The Transporter emphasised that with shrinkage costs included within the TSR from October 2020 there will be no particularised monthly Shrinkage Invoice as data will be furnished in aggregate.

The Transporter then moved on to Slides 22-25 which deal with its Shrinkage Gas Procurement Strategy 2020/20120.

Referring to Slide 22, the Transporter confirmed the present procurement arrangement where, under a specific contract, the Transporter issued a weekly instruction to the contract holder for its Shrinkage Gas requirement for the week ahead with the price based on the SAP daily price of gas plus or minus a premium or a discount plus pass through costs.

The Transporter reported that it met with the CRU and it had been agreed that the current procurement strategy would pertain in the next Gas Year.

The Transporter proceeded to speak to Slides 23 to 25 which summarised Industry Submissions to the questions of the Shrinkage Gas procurement source and the price mechanism to be used. In summary there were eight responses including one from IOOA on behalf of the gas producer sector.

In summary, six of the responses were in favour of the use of the Marex Spectron Platform, with one (ESB) reserving the right to issue its comments on the procurement strategy when its queries were answered. Submissions on the price mechanism varied with a general consensus that indexed prices would be the optimal solution. It was generally agreed that while fixed prices provided certainty, a considered index price purchasing strategy had the potential to achieve reduced procurement costs with less risk than fixed pricing and an equal risk to the existing pricing structure.

A Shipper Representative queried how it appeared that the CRU and the Transporter had agreed to defer a decision to procure Shrinkage Gas on the trading platform to 2001/2002 apparently on the basis that it took the Transporter 22 months to implement and systemise its processes for this development when it was already actively trading for Balancing purposes.

He considered the current Shrinkage Gas Contract process to be restrictive and anti-competitive as only major industry participants with a Moffat position had the resources to fulfil the obligations of the full volume of the existing form of Shrinkage Gas Contract. Another Shipper Representative stated that he considered the form of Contract and the process for tendering were overly complicated.

If the Transporter procured its Shrinkage Gas on the trading platform it opened the potential gas suppliers to all Shippers who had a Trading Platform Transaction Agreement with the Transporter. Such a process was more fair and equitable. It obviated the need for the Transporter undergoing a tender process for the Shrinkage Gas Contract and it would have the further benefit of increasing liquidity on the trading platform. Another Shipper Representative supported this contention and stated that it was difficult to believe that GNI would need 22 months to finalise its systemisation requirements.

A third Shipper Representative stated that a decision regarding the procurement mechanism for 2020/2021 should be given further consideration. The CRU stated that it would be interested in further submissions on this issue and directed that such submissions were to be made to the Transporter by close of business on Friday, 20 December. The CRU directed the Transporter to circulate this submission invitation to the CMF Mailing List on the following day.

The CRU also requested the Transporter to outline the reasons why it could not transition to the Marex Spectron Platform by October 2020.

### **3.4 Balancing Gas Procurement Strategy 2020**

The Transporter reported that, with the agreement of the CRU, the current Balancing Gas Contracts, which expire in 2020, would not be renewed with the Marex Spectron Platform being the sole source for the Transporter's Balancing Buy and Sell Gas Requirements.

### **3.5 Gas and Electricity Interaction**

The Transporter again confirmed that one Shipper in the Power Generation Sector had made a submission in relation to the LDM deadband tolerance exemption which was under continual review.

### **3.6 Potential to increase the oxygen content at biomethane entry points to 1% on Transmission Network**

The Transporter referred to the recent Code Modification which increased the oxygen level quotient in biomethane at entry points to the Distribution Network to 1%. Now the Transporter was considering the extension of this factor to the Transmission Network and was engaging Consultants to conduct an analysis / impact assessment of such an extension. This proposal would be of particular interest to the PowerGen Sector and the Transporter was inviting Industry to advise on areas they would like to be considered in the third party analysis before close of business on 24 January. All such submissions and any further queries should be directed to Yvette Jones (yvette.jones@gasnetworks.ie)

### **3.7 AOB Item No.1 – Review of VRF Tariff**

The Transporter stated that there had only been one capacity VRF booking since the introduction of the tariff on 1 October. The CRU indicated that it was monitoring the effect of the tariff and had requested relevant data from the Transporter. This data would in due course be circulated to Industry

### **3.8 AOB Item No. 2 – GNI Publications**

The Transporter had issued the Shipper Invoicing Handbook – Gas Year 2019/2020. It was posted to all billing contacts directly as well as to the Shipper GTMS portal.

The Transporter would be issuing a new version 5.03 of the Code of Operations as soon as the Instruction for Code Modification Proposals A096 and A096A was received from the CRU. This would be a comprehensive update.

The CMF Meeting Schedule for 2020 was detailed on the penultimate slide with the next CMF meeting taking place at the Ashling Hotel Dublin on Wednesday, 29<sup>th</sup> January starting at 10.00pm

## 4 Open CMF actions

ID	Action	Responsibility	Date Raised	Delivery Date
<b>C572</b>	Transporter to monitor the ongoing basis the adequacy of the initial 25% Tolerance for RNG Entry Points	Transporter	27/3/2019	Ongoing
<b>C574</b>	Shippers to forward Submissions to CRU of their post-I-SEM experiences of dead-band LDM capacity booking	Shippers	14/8/2019	16/1/2020

## 5 Calendar of meetings for 2020

	CMF Date	Location
<b>Next Meeting</b>	29 <sup>TH</sup> January 2020 (Wednesday)	Dublin
	25 <sup>th</sup> March 2020 (Wednesday)	Dublin
	17 <sup>th</sup> June 2020 (Wednesday)	Cork
	19 <sup>th</sup> August 2020 (Wednesday)	Dublin
	21 <sup>st</sup> October 2020 (Wednesday)	Dublin
	16 <sup>th</sup> December 2020 (Wednesday)	Dublin

## 6 Attendees

	Name	Representing
1	Andrew Kelly	GNI
2	Kieran Quill	GNI
3	Ike Udobi	GNI
4	Aine Spillane	GNI
5	Paul Hearty	Revenue
6	Celine O'Neill	Revenue
7	Aoife Murray	Ervia Tax
8	Richard Harper	Nepkin
9	Nicholas Lincoln	Nepkin
10	Kevin Murray	BGE
11	Suzanne Linehan	GNI
12	Sean McParland	Energia
13	James Gallagher	Flogas
14	John King	DCCAE
15	Susan Garrett	ESB
16	Terry Burke	Equinor
17	Brian McGlinchey	Vermilion
18	Stephen O'Hare	GMO-NI
19	Martin Regan	Marex Spectron
20	Kirsty Ingham	ESB
21	Paul Barnett	Manx Utilities
22	Mark Phelan	Electric Ireland
23	Keith Deacon	Tynagh Energy
24	Bryan Hennessy	Naturgy
25	David Horan	Aughinish
26	Anna Gilmore	Shell Energy
27	Chris George	Gazprom
28	Sinead Obeng	Gazprom
29	Johnny Byrne	CRU

