

CODE OF OPERATIONS MODIFICATION PROPOSAL



MODIFICATION DETAILS

Modification Number: A078

Modification Title: Overrun Charges at Domestic Entry Points

| Modification Proposer: | Modification Representative: | Modification Representative Contact Details (email address): | Date Submitted: | Proposed Implementation Date: |
|--------------------------------------|-------------------------------------|---|------------------------|--------------------------------------|
| Irish Offshore Operators Association | Amrik Bal | amrik.bal@shell.com | 16/08/2016 | 1 October |

Proposal (including rationale):

One of the key requirements for competition between shippers is to ensure that all capacity is made available to the market on non-discriminatory terms as well as ensuring the existence of robust rules to stop any subsequent anti-capacity hoarding by system users. Following implementation of the EU Congestion Management Procedures, both short and long term 'UIOLI' rules are therefore in place at the Moffat Interconnection Point.

Part C, paragraphs 1.2 and 1.3 of the Code of Operations also describe short and long-term UIOLI rules for domestic entry points. However, the Code does not specify how any unutilized capacity is brought back to the market. Until such time as the transporter is able to clarify how this would be done, it is important to ensure that the Code arrangements in this respect are given effect such that they deter any potential incentive for capacity hoarding.

As an immediate step, in the event that at a domestic system entry point no primary capacity is available on the day, any booked but unutilized capacity shall be available to shippers via an overrun charge set at 1/365th of the annual entry capacity charge.

Proposed Implementation Date:

1 October 2016

Proposed section of the Code to be modified:

Part C, paragraph 11.3.6: *Entry Capacity Overrun Charge*

MODIFICATION MOTIVATION

Intended Outcome of the Proposed Modification:

To ensure that the maximum amount of system entry capacity is available at all times.

Benefits of implementing this Modification:

- Shippers both now and in the future will have an incentive to make more efficient capacity bookings, not to overbook capacity and to sell unused capacity on the secondary market. Immediate benefits in this respect include a more efficient use of the network and removing a potential barrier to entry, most likely for smaller shippers. The subsequent benefits for wholesale competition could be expected to benefit Irish gas consumers.
- Giving actual effect to an existing part of the Code of Operations is good Code management.

Consequences of not making this Modification:

A shipper could book but not use system entry capacity, thus withholding it from the rest of the market.

Illustrative Example (Please enter a scenario where the issue and solution are illustrated):

- Assume that 100 units of entry capacity are available and that Shipper A has purchased all 100.
- Shipper A has only nominated 40 units for flow, leaving 60 both unutilized and unavailable to other market participants due to the lack of an interruptible within-day capacity product.
- In such circumstances, the proposal is that another shipper without system entry capacity shall be able to access these remaining 60 units via a 1/365 annual entry capacity charge, rather than the normal overrun charge of 8 times the daily entry charge.
- As Shipper A would remain liable to pay for all 100 units of capacity, it would have every incentive not to overbook capacity in a possible attempt to restrict access for other market participants. Furthermore, Shipper A would have an incentive to sell his unused capacity on the secondary market.

