

Final Modification Report

Code Modification A066:

“EU Network Code Implementation: Transitional Arrangements”

29 April 2015

Issued to CER for Approval

Issued to Industry for Information



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1 Introduction, Background & Related Documents

1.1 Background

Code Modification A066 '*Transitional Arrangements*' covers the Transporters proposal in relation to transitional capacity arrangements, voluntary bundling and the registration processes.

By way of brief summary, the scope of the modification includes the following topics:

- Transitional Capacity Arrangements at Interconnection Points
- Voluntary Bundling
- Registration Process (PRISMA & general)
- Moffat Agent transitional arrangements
- Entry Point Transfers
- Registration rules at the IBP

This Code Modification was presented initially at the Code Modification Forum on 21st January 2015. No substantial comments were received on the day.

The Business Rules were subsequently published for industry consultation on 3 April and a number of Shippers responded with queries, which are detailed within this report.

The Code Modification was presented again at the European Network code Workshop on 21 April and the Code Modification Forum on 22 April 2015, where Shippers for the most part reiterated the concerns that had been brought up during the Business Rules consultation.

1.2 Purpose of Document

This Final Modification Report provides a summary of Industry responses to date, an indication of system impacts, and next steps towards implementation of this modification. The purpose of the document is to inform the CER regarding its decision as to whether it directs the Transporter to progress with the development of Code legal drafting on the basis of the business rules.

The report is issued to Industry for information. There is no formal consultation period in respect of the Final Modification Report.

2 Summary of Consultation Responses

A total of five responses were received to the Business Rules. These responses are categorised and summarised below. Note that the summary of Industry comments which follows is not intended to be an exhaustive representation of comments received, but rather highlights those issues which appeared most prominent. Throughout the written submissions and the discussions held at Code Modification Forum meetings the most common concerns were broadly related to capacity transition and voluntary bundling with only a few comments on other items contained within the Business Rules. This is reflected in the summary below.

However, for a complete view of all comments received, please see the individual response documents submitted by Shippers and minutes of the Code Modification Forum Meetings on the Transporter's [website](#).

2.1 Enduring Rules - loss of flexibility

Shipper Comment:

Current capacity booking arrangements allow Shippers to book Annual Capacity with a start date which is the first day of any calendar month with a lead time as short as 8 days. However the annual product introduced by CAM has a single start date of the first day of the gas year and a lead time of approximately 7 months. This reduced flexibility presents an issue for Shippers in predicting their capacity requirements so far in advance. The respondent requested that the Transporter engage with Shippers with a view to reverting to the existing flexible approach which it deemed appropriate for the Irish market.

Transporter Response:

The Transporter is aware of the difficulties posed for Shippers by the new annual product, however it is an explicit requirement of Regulation EU 984/2013 that the annual product at Interconnection Points be configured in this way, meaning that the Transporter does not have discretion in this area. In order to change this requirement, a formal amendment to the Regulation would be necessary.

Shipper Comment:

The respondent also requested that 'short-term tariff multipliers' applied to monthly and daily products be revised in line with the proposals included in the draft Tariff Network Code. The respondent suggested that a daily multiplier of 1/365 should be applied to the daily product.

Transporter Response:

The Tariff Network Code is currently in draft form with an expected implementation date of 2017/18. The Transporter is unaware of any proposals regarding early implementation of the Tariff Network Code in Ireland or for revision of the current multipliers in the short term.

2.2 Transitional Arrangements - Extend Booking Window

Shipper Comment:

In keeping with the sentiment expressed in the above issue in relation to the enduring arrangements, two respondents requested an extension to the discrete booking window (Aug-Sep 2015) proposed in relation to the 'transitional' arrangements. The respondents requested that extensions of capacity bookings be facilitated on an ongoing basis until September 2016, with the existing 8 day lead time applied in each month within this period.

Transporter Response:

It is understandable that Shippers should wish to maintain some of the flexibility that current booking procedures provide. However, extending the booking window past the implementation date of the Regulation (1 Nov 2015) would constitute the offering of unbundled capacity (TSO obliged to bundle all capacity available) in non-standardised product form and by means other than

the specified auctions, raising potential non-compliance issues. The Transporter proposes to retain the discrete booking window as per the original business rules proposal.

2.3 Alignment of Exit Capacity bookings with Gas Year

Shipper Comment:

One respondent queried whether the Transporter had considered a transitional process whereby existing Exit Capacity bookings with start dates other than 1 October could also be 'realigned' with the gas year. This would be of benefit to Shippers in terms of having Exit and IP Capacity bookings aligned going forward.

Transporter Response:

The Transporter did not include Exit Capacity in the scope of this modification and did not therefore make any proposal in this respect. The Transporter does not propose to include any such process under this current modification but commits to revert to Industry and the CER with an assessment of the request through the Code Modification Forum at a later date.

2.4 Voluntary Bundling

Shipper Comment:

If a Shipper has not bundled its capacity by 1 November 2015 (when bundled capacity commences), are there any negative implications for Shippers?

Transporter Response:

The new nomination rules will cater for Shippers holding a combination of bundled and unbundled capacity after 1 November 2015. Further guidance in relation to the nomination options available to Shippers (double sided nomination, single sided nomination, combination of both) will be provided by the Transporter in due course and communicated through the Code Modification Forum.

Shipper Comment:

Can the 60 day lead time prescribed in relation to voluntary bundling requests be reduced?

Transporter Response:

Specifically, this was raised as an issue in relation to a Shipper making an annual booking under existing arrangements on GTMS in September 2015 (start date 1 Oct 2015) and subsequently wishing to bundle such capacity in time for 1 November 2015. The 60 day criterion would not facilitate this in time for 1 November.

The 60 day lead time has been agreed as part of the joint process with the adjacent TSO. The Transporter will discuss with the adjacent TSO the potential for reducing this time period, and

where possible will endeavour to process requests in a shorter time However the Transporter does not propose any change to the original business rules proposal.

Please note (see previous comments) that the new nomination rules will cater for situations where a Shipper holds unbundled capacity (or a combination of bundled and unbundled), meaning that the 60 day period should not present significant issues in any case.

2.5 Agency Arrangements

Shipper Comment:

One respondent queried if the Code of Operations facilitates a Shipper appointing an agent to carry out activities on its behalf, in circumstances where that agent is not a licenced Shipper.

Transporter Response:

Although, the subject of agency arrangements is not included under the scope of this modification, the Transporter confirms that the Code of Operations does not preclude the appointment of an agent by a Shipper, nor is that agent required to be a licenced Shipper. The relevant section of the Code will be reviewed as part of the overall Code legal drafting process (with a view to removing any perceived ambiguity in this area) and will be subject to Industry consultation and CER review.

In summary, The Transporter does not propose any changes to the business rules which were issued for Industry consultation in April and seeks the CER's decision in respect of these business rules.

3 Estimated System Impacts and Costs

System Impacts

This specific Code Modification proposal does not impact significantly on the Transporter's IT Systems as much of the implementation will be achieved by way of manual processes. For example, in the case of annual capacity transition, capacity booking end dates will be manually changed in GTMS as opposed to having specific functionality to automate the process.

Costs - EU Network Code Implementation Project

As per Decision Paper CER/14/140 of 27th August 2014 ('Decision on BGN Allowed Revenues and Gas Transmission Tariffs for 2014/15'), the projected costs associated with the implementation of the European Network Codes namely, Capacity Allocation Mechanisms (CAM), Congestion Management procedures (CMP), Balancing (BAL), Interoperability & Data Exchange (INT&DE), and Tariffs (TAR)) over a four year period up to Gas Year 2016/17 is €6,961,632 of which €5,000,000 is IT capital expenditure to be spent between 2014/15 and 2015/16. It is estimated that approximately 120 functions on GTMS will require amendment and that a further 80 new functions will be developed.

4 Transporter's Assessment of the Proposed Modification

It is the Transporter's view that the proposed modification addresses the requirements of the Network Codes in a practical manner with due consideration given to the specific characteristics of the Irish gas market.

5 Implementation Timelines: Current Status & Next Steps

The implementation dates in respect of Capacity Allocation Mechanisms (CAM) Regulation EU No. 984/2013 is 1 November 2015, however the content of this Code Modification requires earlier implementation in some instances as shown in the following table:

Item	Implementation Date	Completion Date
Annual Capacity Transition	1 st August 2015	30 th Sept 2016
Phase out legacy bookings	-	1 st October 2023
Daily Capacity Cut Off	24 th October 2015	31 st October 2015
Voluntary Bundling	1 st August 2015	1 st October 2023
Registration Process:	-	-
Enduring at IP's	1 st November 2015	Enduring
Transitional at IP's	1 st July 2015	31 st October 2015
Enduring at Entry Points & LDM Offtake Points	1 st November 2015	Enduring
Entry Point Capacity Transfers	1 st November 2015	Enduring
Registration of Shippers at the IBP	1 st November 2015	Enduring

Table 1: Implementation Dates

This report will be forwarded to the CER to inform its decision on the implementation of this Code Modification, and to industry for information.

Subject to the approval of the CER it is anticipated that this Code Modification will be included as part of the Part C and Part F legal drafting which is due to be issued for Industry consultation in mid-May 2015.

Following on from Legal Drafting consultation this Code Modification is scheduled to be included in the Code in advance of 1 August 2015, however each individual element will have specific effective dates written into the Code drafting as per above table.