Proposed Code of Operations Modification A069

Back-up Capacity Arrangements under new tariffing regime

If you have any questions in relation to our response, please don't hesitate to contact me at lisa.fahy@sse.com

Introduction

SSE welcomes the opportunity to comment on proposed modification AO69 to the code of operations put forward by the Irish Offshore Operator's Association (IOOA). The modification would require changes to Part C of GNI's code of operations.

IOOA proposes that in a situation where a shipper at one entry point has booked entry capacity and 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).

Proposed modification

This proposal will amend Part C of the GNI code of operations. The modification would apply a charging approach of primary rate (entry point only charge x multiplier) rather than the combined charge ((entry point only charge + smeared network charge) x multiplier) to backup capacity acquired where supply at entry point is reduced or ceases.

Response

SSE is broadly in favour of the proposed modification and the principal that shippers should not have to pay the smeared charge twice. However we are concerned that the modification proposal as drafted does not provide sufficient detail on the practical implementation of the changes proposed.

The proposal is likely to encourage market participants to enter into firm contracts with indigenous suppliers which would have a positive impact on liquidity at the IBP. Assuming that the relief from the smeared charge will, in effect be a discount, SSE would raise the following points:

- The proposal does not specify how the volume of capacity eligible for 'discount' is determined;
- What approach must a shipper take to demonstrate what proportion (%) of their procured Long Term capacity at a system entry point they would have used if the field/terminal had not experienced outage;
- Could the discount be applied to IP Capacity already held but unused or only to Capacity acquired specifically to flow gas not delivered from the field/terminal;
- How will the volume of capacity procured at an alternative system entry point (e.g. Moffat IP) to substitute for 'unused capacity' at another system entry point be distinguished from capacity not eligible for discount but held at the other entry point.

Further to this, there are a number of questions if the proposed discount is to be applied to capacity procured at the Moffat or the N/S Interconnection Points:

- Is it legal under EU rules to have a party eligible for a discount acquiring capacity at the IP (on PRISMA) in competition with parties not eligible for discount?

- In addition, would restrictions be required/enforced on secondary trading (on PRISMA) on capacity eligible for a discount at the IP.

In order to address these concerns around legality and competition for capacity at the IPs, SSE suggests that any discount be offered on the unused capacity holding. For clarity, where capacity is acquired, for instance, at Moffat IP, to support gas supply to substitute for that interrupted by a field or terminal outage at another system entry point, then any discount should be applied to the eligible unused Entry Capacity at the system entry point subject to outage and not the used capacity at the IP.

Conclusion

In summary, SSE is broadly supportive of the modification proposal but is concerned with the lack of specifics. There are a number of practical implementation elements as well as legal aspects that do not appear to have been fully considered and warrant further discussion at the code modification forum.