

Virtual Reverse Flow:
at Interconnection Points

Implementing EU Regulations

Code Modification No. A064

Business Rules

19th September 2014

Version 1.0



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Supporting Documentation:

Date	Source	Reference
2009 (updated in 2012)	European Commission	Regulation (EC) No 715/2009 updated with the Commission Decision 2012/490/EU of 24 August 2012
April 2013	Gaslink	Consolidated Gaslink Code of Operations v4.0 as of 1 April 2013
October 2013	European Commission	Regulation (EC) No 984/2013 Capacity Allocation Mechanism NC
21 st August 2014	Gaslink	Code Modification Proposal A063 <i>'Nominations, Imbalance Charges & allocations: EU Network Code Implementation'</i>
10 th September 2014	Gaslink	Code Modification Proposal A064 <i>'Virtual Reverse Flow: Enhanced Flexibility and Compliance with EU Network Codes'</i> Proposal Form

CONSULTATION PERIOD

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1. INTRODUCTION

1.1 Background

The existing Virtual Reverse Flow (VRF) service was introduced at Moffat in 2011 for Shippers that wished to virtually "export" gas to the UK. A corresponding VRF service was introduced at the South North connected system exit point (S/N CSEP) for shippers that wished to virtually "import" gas from N.I. The requirement to implement VRF arose as a result of an allegation that Ireland had failed to comply with Regulation 715/2009 where it was alleged that the maximum capacity was not being made available at Moffat due to the absence of a reverse flow service and due to the fact that capacity was not available at the S/N CSEP. At the time, a decision was made by the Transporter and Regulator to limit the costs of VRF by reducing systemisation where possible and to keep it simple. Key features of the current product include day-ahead Capacity bookings and Nominations, Renominations as a result of an interruption only and allocating reverse flows whole.

In October 2013, the Transporter was asked to provide the CER with high level time and cost estimates in relation to the development of an enhanced (within-day) VRF product at Moffat. In response, the Transporter prepared a "High Level Requirements Specification for Virtual Reverse Flow" which included:

- Within-day VRF Capacity bookings;
- Within-day VRF Nominations;
- Fully systemised interruption functionality, and
- Increased available VRF Capacity.

In May 2014, the CER requested the Transporter to incorporate the development of an enhanced Moffat VRF product in the EU Network Code Implementation Project and align it with the appropriate provisions of the following Network Codes:

- EC No. 984_2013 Capacity Allocation Mechanism (CAM);
- EC No. 312_2013 Balancing of Transmission Networks;
- The draft Interoperability & Data Exchange Network Code.

Code modifications A062: Capacity Allocation Mechanisms and A063: Nominations, Imbalance Charges & Allocations should be considered in conjunction with this document.

Regulation EC No. 984_2013 establishes a network code on Capacity Allocation Mechanism in gas transmission systems and aims to establish the necessary degree of harmonisation across Europe. The articles of the Regulation that relate to VRF are as follows:

- Article 21 (1): At unidirectional interconnection points where technical capacity is offered only in one direction, transmission system operators shall offer a daily product for interruptible capacity in the other direction;
- Article 21 (2): If interruptible capacity is offered, this shall not be detrimental to the amount of firm capacity on offer;

- Article 21 (4): To the extent interruptible capacity is offered, it shall be allocated via an auction process with the exception of within-day interruptible capacity;
- Article 21 (5): Within-day interruptible capacity shall be allocated by means of an over-nomination procedure;
- Article 24 (1): The order in which interruptions shall be performed, if the total of nominations exceeds the quantity of gas that can flow at a certain interconnection point, shall be determined based on the contractual timestamp of the respective transport contracts on an interruptible basis. In case of an interruption, transport contract coming into force earlier shall prevail over transport contract coming into force later.

It should be noted accordingly that the Regulation requires a TSO to make a Daily Product (as defined in the Regulation) available although the TSO may offer other products in addition. Further to the Code Modification Proposal A064 ‘Virtual Reverse Flow: Enhanced Flexibility and Compliance with EC Network Codes’ which was issued to industry on 10th September 2014 this business rules document sets out the rules and processes associated with the VRF product.

It should be noted that a number of Network Codes remain under review and others are in the course of development. These further or other Network Codes may impact some or all of the business rules set out below.

1.2 Purpose and Scope

1.2.1 The Scope of this document includes:

- VRF Registration Process;
- Available VRF Capacity Calculation;
- Daily VRF Capacity Joint Booking Platform
- Within-day Interruptible Capacity;
- VRF Nominations;
- VRF Interruptions;
- VRF Tariffs;
- VRF Allocations.

1.2.2 The following items have not been included in this business rules document, however these will be addressed in other consultations:

- Registration process in respect of the Joint Booking Platform;
- Definitions of the functions of the Joint Booking Platform;

1.2.3 The principal focus of this business rules document is to outline the Shipper–Transporter processes associated with VRF which will ultimately be translated into legal drafting to amend the Code of Operations. It should be noted, therefore, that only those process steps and information flows which relate directly to the Shipper – Transporter relationship will be reflected in the Code legal drafting.

- 1.2.4 Approved business rules shall form the basis for the subsequent development of Code legal drafting amending the Gaslink Code of Operations. However, it should be recognised that this business rules document is in draft form only and is intended to prompt discussion rather than present the final position of the Transporter. Accordingly, the Transporter reserves the right to modify these proposals as appropriate either as a result of industry responses to the consultation, CER direction, the requirement to interact with ongoing Network Code development or as a result of further and more detailed development of the draft processes contained within.

1.3 General Principles

The following are the general principles on which the proposed VRF service has been based:

- 1.3.1 Shippers who wish to use the VRF service at an Interconnection Point (IP) must have completed the Transporter's VRF registration procedure;
- 1.3.2 The daily Interruptible VRF Capacity at the IP will be auctioned by the Transporter on the Joint Capacity Booking Platform using the Uniform Price Auction Algorithm on an unbundled basis;
- 1.3.3 The VRF auction will commence at 15:30 D-1 and will be subject to an opening reserve price to be determined;
- 1.3.4 The Available VRF Capacity to be offered will be determined and published on the Joint Capacity Booking Platform;
- 1.3.5 The Interruptible VRF Capacity product will be unbundled therefore double sided Nominations will be processed based on a 2 hour Renomination cycle as proposed in code modification A063;
- 1.3.6 The within-day Interruptible Capacity product at the IP will be made available through during the Re-nomination Period of 17:00 D-1 – 02:00 D;
- 1.3.7 Available VRF Capacity that remains unsold following the PRISMA auction plus additional VRF Capacity that becomes available due to an increase of the Forward Flow Nominations will be made available to Shippers during the Renomination Period;
- 1.3.8 Where a Shipper submits a valid Nomination in excess of its VRF Capacity holding booked on the Joint Capacity Booking Platform ('an Over-nomination'), it shall be treated as a request for additional VRF Capacity;
- 1.3.9 Valid Nominations in excess of Shippers' VRF Capacity bookings will be processed through the over-nomination procedure. The Over-nomination procedure will increase the total of the Shipper's VRF Capacity to equal the total of their valid Nominations;

- 1.3.10 VRF Shippers who do participate or are unsuccessful in the Joint Capacity Auction will be awarded a VRF Capacity of zero by the Transporter in order to facilitate participation in the over-nomination procedure;
- 1.3.11 Registered Shippers may Renominate during the Renomination Period in instances other than an interruption, provided that the Renominated quantity is greater or equal to the Shipper's deemed flow at the effective time of the interruption;
- 1.3.12 The Shipper's valid Nomination/Renomination will supersede their previous Nomination/Renomination;
- 1.3.13 Renominations will be profiled evenly by the Transporter over the remaining hours of the gas Day beginning at the effective time of the Renomination;
- 1.3.14 In the event of an interruption, the Transporter will interrupt the available VRF Capacity and where appropriate, amend applicable Shippers' Confirmed Quantities (CQ). Interrupted Shippers will not be required to Renominate by the Transporter on the basis of an interruption;
- 1.3.15 An interruption hierarchy will be based on the effective time of the Capacity bookings of each Shipper. In an effort to simplify this process the effective time of Capacity booked in the Joint Capacity Auction will be 16:30 D-1, the effective time of Capacity booked via an over-nominations during the period *before* the gas day will be 05:00 D and the effective time of Capacity booked via over-nominations *within* the gas day will be deemed to be 05:01 D;
- 1.3.16 VRF Capacity products with the same effective time will be interrupted pro-rata to their booked Capacity;
- 1.3.17 VRF Capacity will not be interrupted below any Shipper's deemed delivered VRF at the effective time of the interruption;
- 1.3.18 Shipper's Allocations will be based on rules set out in the Interoperator Agreement (IA);
- 1.3.19 No decisions have been made with regard to Tariffs at this juncture therefore the VRF product should be designed to facilitate a registration fee, a commodity charge and a capacity charge;

2. DEFINED TERMS

- The list below includes only those terms which have been defined with the sole purpose of aiding understanding of this business rules document. Accordingly, the Transporter reserves the right to alter such terms when developing Code legal drafting at a later date;
- Capitalised terms used elsewhere in this business rules document, and not listed below, signify existing terms from the Code of Operations;
- 'the Code' = Gaslink Code of Operations;

- ‘Over-nomination’ = means the entitlement of network users who fulfil minimum requirements for submitting Nominations to request interruptible Capacity at any time within the day by submitting a Nomination which increases the total of their Nominations to a level higher to than their Nominations to a level higher than their contracted Capacity;
- ‘VRF Renomination Period’ = means the period between 17:00 D-1 – 02:00 D where registered VRF Shippers may submit Nominations, Over-nominations and Renominations to the Transporter.

3. VIRTUAL REVERSE FLOW CAPACITY

3.1 Registration for Interruptible Reverse Flow

3.1.1 A Shipper shall apply to become a Registered Shipper at an IP by submitting a request (a “Virtual Point Registration Request”) which shall specify the information required by the Transporter to process the request including:

- (a) the requested Registration Effective Date which shall be the first day of a calendar month;
- (b) the EIC of the Shipper requesting registration; and
- (c) the applicable IP to which the request relates.

3.1.2 The Transporter shall reject a Virtual Point Registration Request for any of the following reasons:

- (a) the Virtual Point Registration Request is not submitted in accordance with Section 3.1.1;
- (b) to the extent that the application if accepted would require Financial Security or an increase in the amount in respect of which Financial Security is to be provided by the Shipper to the Transporter as determined in accordance with the Financial Security Policy and the Shipper has not, within ten (10) Business Days of submission by the Shipper of the IP Registration Request provided the required financial security so as to comply with the Financial Security Policy;
- (c) the Shipper has not discharged any applicable registration fee; and
- (d) the Shipper is not the holder of such documentation as may be necessary at the applicable IP.

3.1.3 The Transporter may reject a Virtual Point Registration Request for any of the following reasons:

- (a) the Requested Registration Effective Date is less than ten (10) Business Days after the date of receipt by the Transporter of the Virtual Point Registration Request; or
- (b) the Shipper is (or would otherwise be) in breach of this Code and/or any Ancillary Agreement.

- 3.1.4 If the Virtual Point Registration Request is rejected in accordance with either Section 3.1.2 or 3.1.3 above then the Transporter shall provide the reason to the Shipper as soon as reasonably practicable and in any event within three (3) Business Days of such rejection.
- 3.1.5 Where the Transporter accepts a Virtual Point Registration Request the Shipper shall be registered as a Shipper at the IP with effect from the Registration Effective Date or as otherwise specified by the Transporter.
- 3.1.6 A Shipper may apply to the Transporter in accordance with this Section 3.1.6 to cease to be a Registered Shipper at a IP by submitting a request (a “Virtual Point Deregistration Request”) which request shall include the information required by the Transporter to process the request, including the following:
- (a) the requested date from which the Shipper wishes the deregistration to be effective (the “Deregistration Effective Date”) which shall be the first Day of the subsequent calendar month;
 - (b) the identity of the Shipper requesting deregistration; and
 - (c) the applicable IP.
- 3.1.7 The Transporter may reject a Virtual Point Deregistration Request if:
- (a) the Virtual Point Deregistration Request is not received at least 10 days prior to the requested Deregistration Effective Date; or
 - (b) the request has not been submitted in accordance with clause 3.1.6.
- 3.1.8 Where the Transporter accepts a Virtual Point Deregistration Request the Shipper shall cease to be Registered Shipper at the IP on the Deregistration Effective Date (provided the Shipper shall not have submitted an application for Daily Interruptible IP Capacity in respect of any Day on or subsequent to the Deregistration Effective Date).
- 3.1.9 A Registered Shipper shall in respect of an IP cease to be a Registered Shipper at the IP either:
- (a) in accordance with clause 3.1.8; or
 - (b) otherwise in accordance with the provisions of this Code and/or any Ancillary Agreement.
- 3.1.10 A Shipper shall remain liable for all accrued payments and/or amounts due to the Transporter notwithstanding deregistration.
- 3.1.11 All applications to become a Registered Shipper at the IP including Virtual Point Registration Request and/or Virtual Point Deregistration Requests and/or any notices by the Transporter to the Shipper with respect to a Virtual Point Registration Request or IP Deregistration Request shall be submitted utilising the Transporter’s IT System or such other method as may be specified by the Transporter to Shippers from time to time.

3.2 Available VRF Capacity

3.2.1 The Available VRF Capacity will be determined in accordance with a methodology developed by the Transporter and approved by the CER. The current proposal is that this methodology will use the results of the Forward Flow Nominations and (in the case of Moffat) the minimum flow required to operate the Beattock compressors as determined by the Transporter on that day using the following formulae:

Available VRF Capacity Calculation		
Time period	Description	Formula
15:00 – 15:30 D-1	Pre-auction	Forward Flow Nominations – Minimum Forward Flow
16:30 – 04:59 D-1	Post-auction Day-ahead	Forward Flow Nominations – Minimum Forward Flow – Booked Capacity in Auction – Over-nominations
05:00 – 04:59 D	Within-day	This will be calculated dynamically by the Transporter on an hourly basis to maximise the Available Interruptible VRF Capacity.

3.2.2 Interruptible VRF Capacity will be made available on a unbundled basis and the daily product will be auctioned on the Joint Capacity Booking Platform;

3.2.3 The Available VRF Capacity as determined will be published on the Joint Booking Platform by the Transporter to facilitate booking by Shippers;

3.2.4 The Available VRF Capacity for over-nomination during the Re-nomination Period will be updated following the publication of the Joint Capacity Booking Platform results on the Transporter’s IT Systems, no later than 30 minutes after the closing of the bidding round and will be regularly updated throughout the gas Day.

3.3 Daily VRF Capacity Auctions

3.3.1 Daily VRF Capacity will be made available in a VRF Capacity Auction on an unbundled basis on the Joint Capacity Booking Platform on D - 1;

3.3.2 At the start of bidding for each Daily VRF Capacity Auction, the Joint Capacity Booking Platform will publish the following information:

- a) The amount of Daily VRF Capacity that is made available for Shippers to book;
- b) The Reserve price;

3.3.3 Bids from registered Shippers in the Daily VRF Capacity Auction may be submitted to the Joint Booking Platform on D-1 during the Bidding Round of 15:30 and 16:00 hours.

- 3.3.4 The aggregate quantity of VRF Capacity allocated and the clearing price for each auction shall be published on the Joint Booking Platform.
- 3.3.5 The quantity of VRF Capacity allocated to each Shipper by auction will be published to individual Shippers simultaneously by the Joint Booking Platform, and no later than 30 minutes after the close of the Bidding Round.
- 3.3.6 It shall not be necessary for registered Shippers to book capacity in the auction in order to participate in capacity booking pursuant to the over-nomination process.
- 3.3.7 The Available VRF Capacity will be updated dynamically on the Transporter's IT Systems.

3.4 Uniform Price Capacity Auction

- 3.4.1 In a uniform price auction, there is a single Bidding Round in which the Shipper bids price as well as capacity amount.
- 3.4.2 The Uniform Price Auction shall be applied to Daily VRF capacity auctions.

Submission of Bids

- 3.4.3 The Bid Window details applicable to specific Uniform Price Auctions are specified within sections 3.6.
- 3.4.4 All bids shall specify:
 - a) the amount of VRF Capacity applied for (in kWh/day);
 - b) the bid price (in €/kWh);
 - c) the minimum amount of IP Capacity the Shipper would accept;
 - d) the Shipper (EIC);
 - e) the relevant Interconnection Point and direction of the flow;
 - f) the Daily capacity product applied for which shall be unbundled.
- 3.4.5 The minimum eligible amount for a bid is 1 kWh/d.
- 3.4.6 A bid shall be considered valid if:
 - a) It complies with all provisions of this Section;
 - b) the Shipper satisfies the Financial Security requirements of the Gaslink Code of Operations and the associated Financial Security Policy;
 - c) the sum of all relevant Shipper bids does not exceed the Available Capacity for the auction;
 - d) it complies with any other information mandated by the GTCs of the Joint Booking Platform.
- 3.4.7 During the Bidding Round of a given auction, Shippers may submit up to 10 bids. Each bid shall be treated independently from other bids.

- 3.4.8 Bids may be modified or withdrawn up to the close of the Bid Window. Once the Bid Window closes, no modification, withdrawal or variation to valid bids shall be accepted.
- 3.4.9 Shippers may submit an Automatic Bid Profile (comprising up to 10 independent bids) in advance of a given IP Capacity Auction.
- 3.4.10 Each individual bid included in the Shipper's Automatic Bid Profile shall be automatically entered as a Shipper bid in the Bidding Round and shall be treated the same as if such bids were submitted manually by a Shipper.
- 3.4.11 Each individual bid in an Automatic Bid Profile will be treated independently as per 3.5.7.
- 3.4.12 An Automatic Bid Profile may be submitted after the publication of an auction on the Joint Booking Platform before the opening of the relevant Bid Window.
- 3.4.13 An Automatic Bid Profile shall include the information required in 3.5.4 in respect of each Bidding Round in the Automatic Bid Profile.

Auction Algorithm

- 3.4.14 Following the closure of the Bid Window, the bids shall be ranked according to their bid prices, highest price ranked first.
- 3.4.15 In the case where the sum of capacity demanded is less than or equal to the capacity offered in the auction then all bids shall be allocated in full.
- 3.4.16 The highest priced bid(s) shall be allocated first provided there is enough capacity offered in the auction. The next highest priced bid(s) shall be allocated from the remaining capacity which has not yet been allocated. This continues until such time as:
 - a) all bids are allocated in full; or
 - b) there is insufficient unallocated capacity available to meet the bid(s) at a particular bid price.
- 3.4.17 In the case of 3.4.16b), all bids at the relevant bid price shall be pro-rated so that the remaining unallocated Capacity is provisionally distributed between them.
- 3.4.18 If a provisional allocation for any Shipper as identified in paragraph 3.4.17, is less than the minimum amount (submitted by that Shipper in accordance to 3.4.4c), then the Shipper's bid shall become null and void.
- 3.4.19 The bid stack shall then be re-evaluated without the void bid(s) as per 3.4.16.
- 3.4.20 Once all the offered capacity for the auction has been allocated, then the auction Clearing Price is determined as:
 - a) the Reserve Price, where demand is less than the amount of offered IP Capacity.
 - b) the price of the lowest successful bid, where demand exceeds the amount of offered IP Capacity;
- 3.4.21 All Shippers who are allocated IP Capacity shall pay the Clearing Price for their IP Capacity, regardless of the price that they bid in to the auction.

3.5 Within-Day VRF Capacity

- 3.5.1 Within-day Interruptible VRF Capacity will be allocated to registered VRF Shippers based on Over-nominations received by the Transporter during the time 17:00 D-1 to 02:00 D (**‘the Renomination Period’**);
- 3.5.2 In order to submit within-day Interruptible VRF Nominations and in the absence of a successful bid in the Joint Capacity Booking Platform, a Shipper will be allocated a quantity of Interruptible VRF Capacity of zero by the Transporter;
- 3.5.3 Valid Nominations in excess of Shippers’ VRF Capacity bookings will increase the sum of the Shipper’s VRF Capacity to equal the sum of their valid Nominations (**‘the Over-nomination Procedure’**). The Transporter will in effect deem a VRF Capacity quantity based on the valid Nomination received during the Renomination Period;
- 3.5.4 Shippers will be allocated Within-Day Interruptible Reverse Flow Capacity on a First Come First Served (FCFS) basis resulting from valid Nominations received by the Transporter provided that Interruptible VRF Capacity is available at that time;
- 3.5.5 The Available Interruptible Reverse Flow Capacity calculation will be updated regularly throughout the Renomination Period.

4 NOMINATIONS

4.1 General

- 4.1.1 Nominations of Interruptible VRF Capacity will be Double Sided;
- 4.1.2 Nominations and Renominations of interruptible VRF Capacity provided by the registered VRF users to the Transporter shall contain at least the following information:
 - a) interconnection point identification;
 - b) direction of the gas flow;
 - c) EIC or, if applicable, its balancing portfolio identification;
 - d) network user’s counterparty identification or, if applicable, its balancing portfolio identification;
 - e) start and end time of the gas flow for which the nomination or re-nomination is submitted;
 - f) gas day D; &
 - g) the gas quantity requested to be transported.

4.2 Nominations of Booked Capacity in the Auction

- 4.2.1 Registered Shippers in possession of Daily VRF Capacity booked on the Joint Capacity Booking Platform may Nominate on this capacity during the Renomination Period from 17:00 D-1 to 02:00 D;

- 4.2.2 Nominations of Capacity booked in the joint capacity auction will become valid Nominations provided that they are less than or equal to the Available Interruptible VRF Capacity as determined by the Transporter and are compliant with sections in 3.2 and 4.1 of this document;

4.3 Over-Nominations

- 4.3.1 Registered Shippers may submit VRF Nominations during the Renomination Period from 17:00 D-1 to 02:00 D in excess of their VRF Capacity booking;
- 4.3.2 Nominations by Shippers in excess of their booked Capacity which are less than or equal to the Available Interruptible VRF Capacity as determined by the Transporter and are compliant with sections in 3.2 and 4.1 of this document will become over-nominations;
- 4.3.3 The over-nomination procedure will increase the sum of the Shipper's VRF Capacity to equal the sum of their valid Nominations;

4.4 Renominations

- 4.4.1 Renominations in respect of a Gas Day shall be submitted no earlier than 17:00 D-1 and no later than 02:00 D (the '**Renomination Period**');
- 4.4.2 Renominations to a level less than the deemed VRF will be rejected.

4.5 Effective Times

- 4.5.1 The Transporter shall process Nominations/Renominations from the commencement of the hour immediately after the hour in which the Nominations/Renomination was submitted ('the Hour Bar').
- 4.5.2 The Transporter shall communicate the Confirmed Quantity and Processed Quantities to the Shipper no later than the end of the relevant Renomination Cycle.
- 4.5.3 The Renomination Cycle where Renominations are processed shall commence on the Hour Bar and have a duration of 2 hours save in the event of an interruption. A Renomination cycle shall commence each hour within the Renomination Period.
- 4.5.4 The effective flow time shall be the Hour Bar plus two following receipt of the Renomination from the Shipper.

4.6 Matching Process

- 4.6.1 The matching rules to be applied at each Interconnection Points shall be included in the relevant IAs which the Adjacent Transporters at each Interconnection Point shall be party to;

4.6.2 The IAs are currently in development and the details of the matching rules to be included within shall be communicated to Industry in due course.

4.7 Rejection of Nominations and Renominations

- 4.7.1 The Transporter may reject a Nomination or Renomination if:
- a) it does not comply with the requirements as to its content;
 - b) it is submitted by an entity other than a registered VRF Shipper;
 - c) the acceptance of the Renomination would result in a Negative Implied Nomination Flow Rate (INFR);
 - d) it results in an End of Day Quantity (EODQ) lower than the quantity of VRF deemed to have flowed at the effective time;
 - e) it exceeds the Available Interruptible VRF Capacity as updated by the Transporter;
 - f) such Nominations in aggregate with all other Nominations exceeds the Available Interruptible VRF Capacity as updated by the Transporter;
 - g) Where there are difficulties due to the profiling of Natural Gas into the Transportation System at an Entry Point such that, on a Day in respect of which the re-nomination is submitted, the hourly gas flows into the Transportation System are greater than the EODQ divided by twenty four (24) during the early hours of the Day such that the Transporter's ability to accept such re-nominations is adversely affected.

5.0 INTERRUPTIONS

5.1 General Principles

- 5.1.1 The Transporter shall issue an "Interruptible Capacity Interruption Notice" to one or more registered VRF Shippers that have VRF Capacity when appropriate;
- 5.1.2 An interruption notice may be issued via the Transporter's IT System at any time after 17:00 D-1;
- 5.1.3 The Transporter may issue more than one Interruptible Capacity Interruption Notice in respect of a day;
- 5.1.4 An interruption hierarchy will apply based on the effective time of a VRF Capacity product as follows:

First group to be interrupted - VRF capacity resulting from an over-nomination during D. Ranking within this band will be based on an effective time of 05:01 on D;

Second group to be interrupted - VRF capacity resulting from an over-nomination on D-1 with an effective time of 05:00 on D;

Third group to be interrupted - VRF capacity booked in the Joint Capacity Auction on D-1 with an effective time of 16:30 on D-1.

- 5.1.5 If the total of the VRF nominations exceed the Available VRF Capacity interruptions at that time will be in accordance with the interruption hierarchy;

- 5.1.6 Where Shippers are ranked at the same level in the interruption hierarchy, reductions pro-rata to their capacity will apply;
- 5.1.7 In the event of an interruption notice being issued, the Transporter will reduce the Shipper's VRF Processed Quantity (PQ);
- 5.1.8 Shipper's PQs will not be reduced below their deemed VRF flow at the effective time of the interruption;
- 5.1.9 The interruption lead time of a VRF interruption will be 45 minutes after the start of the Renomination Cycle for that gas hour i.e. 1hr 15 minutes before the effective time of the interruption;
- 5.1.10 PQs that have been reduced as a result of an interruption, may subsequently be increased by the Transporter if circumstances allow e.g. Forward Flow Nominations increase for the remaining hours of the day.

6.0 TARIFFS

- 6.1 The ACER Tariff Framework Guidelines on rules regarding harmonised transmission tariff structures for gas, section 5.2. state the following regarding setting tariffs for VRF

'At unidirectional interconnection points where TSO's offer firm capacity only in one direction and capacity is offered in the other direction on an interruptible basis (non-physical backhaul capacity), the methodology for determining the reserve price shall be set to reflect the actual marginal (additional) costs that the TSO incurs to provide this service and shall not be below zero'.

- 6.2 Article 32 of the Initial Draft Network Code on Harmonised Tariff Structures for Gas, published by ENTSOG on 28th May 2014, propose the following:
 - 6.2.1 *The reserve prices for standard capacity products for interruptible capacity shall be calculated in accordance with either of the following approaches:*
 - (a) *by applying an ex-ante discount to the reserve prices for the respective standard capacity products for firm capacity, as detailed in Article 33;*
 - (b) *by using the same values as the reserve prices for the respective standard capacity products for firm capacity and in case the capacity is interrupted, by applying an ex-post discount to calculate the reimbursement, as detailed in Article 34;*
 - (c) *by using a combination of approaches referred to in points (a) and (b), as follows:*
 - (i) *the reserve prices for standard capacity products for interruptible capacity shall be calculated as detailed in Article 33; and*
 - (ii) *in case the capacity is interrupted, the reimbursement shall be calculated as detailed in Article 34.*
 - 6.2.2 *The calculation referred to in paragraph 1 shall apply to all standard capacity products for interruptible capacity regardless of the direction of the gas flow at a given interconnection point. This calculation shall also apply to interruptible capacity products offered at a unidirectional interconnection point in the direction which is opposite to the direction of the physical gas flow as set out in Article 21 of Commission Regulation (EU) No 984/2013.*

- 6.3 The current tariff arrangements for VRF in ROI are that each Shipper who wishes to use the service must pay a registration fee and then is subject to a €0 capacity charge per peak day MWh. The registration fee is set to recover the marginal costs of providing the service.
- 6.4 It is envisaged that ENTSOG will have issued a final Tariff Network Code by Q1 2015 and this will provide clear guidance on the setting of an appropriate reserve price for VRF services.

7.0 ALLOCATIONS

- 7.1 VRF Allocations rules will be set out in the IAs.

8.0 OVERRUNS

- 8.1 Overruns apply in situations where Shippers use capacity in excess of their Active Capacity on a Day. The over-nomination procedure allows Shippers to Nominate in excess of their VRF Capacity but only in situations where additional Capacity is available. If a Nomination is made seeking capacity in excess of the Available Interruptible VRF Capacity at the effective time, it will fail. Therefore overruns will not apply for VRF Capacity.