

Transportation Network Code Proposed Modifications No. 10 & 11**Initial Modification Report****1. Introduction**

BGE(NI) (“The Transporter”) has prepared this report in accordance with Section 4 of the BGE(Northern Ireland) Transportation Network Code Modification Rules.

2. Proposed Modification

This proposed modification is required to change certain aspects of the BGE (NI) Transportation Network Code to facilitate the introduction of the Physical South-North Entry Point and two Virtual Exit Points within the Northern Ireland market.

Background

On the 6th of April 2012, NIAUR designated Gormanston as the Relevant Point on the South-North Pipeline. Code Modifications are being developed to facilitate the introduction of Physical Entry at the South-North Entry Point and Virtual Reverse Flow at both the South-North and Carrickfergus Virtual Exit Points. These modifications are designed to address infringement proceedings against the UK which allege that the Transmission System Operators (TSOs) in Northern Ireland do not make maximum capacity available on the South-North Pipeline in compliance with Regulation (EC) 1775/2005.

The code modification process thus far has progressed as follows:

Date	Published By	Document
6 th April 2012	NIAUR	<u>High Level Business Rules:</u> Consultation on Introduction of South North Entry point to the BGE(NI) Network <i>Note: Business Rules developed by BGE(NI)</i>

6 th April 2012	NIAUR	<u>High Level Business Rules:</u> Consultation on Virtual Reverse flow in Northern Ireland: High Level Business Rules. <i>Note: Business Rules developed jointly by BGE(NI) and PTL</i>
10 th May 2012	NIAUR	<u>Conclusions Paper:</u> <ul style="list-style-type: none"> - Introduction of South North Entry point to the BGE(NI) Network - Virtual Reverse flow in Northern Ireland: High Level Business Rules

NIAUR's conclusion paper published on 10th May 2012 requested both BGE (NI) and Premier Transmission Ltd. (PTL) to progress Code Modifications to their respective Codes. The paper recommended that the modifications be based on the principles contained within the High Level Business Rules consultation document. Given that both BGE(NI) Code Modifications are intrinsically linked and are being developed concurrently, the code drafting has been consolidated to address both modifications. The attached Code mark-up also incorporates the drafting as proposed in terms of BGE(NI) Code Modification No. 9 (Daily Capacity Products). The specific drafting relevant to each distinct modification is clearly differentiated in the attached Code mark-up.

It should also be noted that PTL are independently publishing proposed drafting to the PTL Code in relation to the introduction of VRF products as part of PTL Code Modification No. 21. Both TSO's have co-ordinated the drafting process in a manner designed to ensure, insofar as is practicable, that the modifications to both Codes will result in a streamlined product offering to Shippers on both transmission networks.

Parallel Development

Licence & Tariffing Consultation

NIAUR has issued a consultation paper on the 10th of May 2012 relating to changes to the BGE (UK) licence and the tariffing methodologies. This revision of the BGE (NI) Code now includes drafting to reflect charging methodology and draft licence changes to be updated with Final Licence changes. Further to the outcome of the licence and tariffing consultation process, the BGE (NI) Code including Sections 12 and 13 may be subject to further change.

Short Term Capacity Consultation

It should also be noted that Modification No.9, Firm Short Term Capacity product for third party access was simultaneously developed in order to address the alleged infringements of EU Regulations. Ultimately, where all of the proposed modifications are introduced simultaneously a consolidated version of the Code will be published with the last such modification incorporating all relevant updated drafting.

Other

In addition to the areas highlighted in the Business Rules, changes have been incorporated into the proposed legal drafting to facilitate the introduction of following:

- The Connected Systems Agreement at the South-North Relevant Point;
- Emergency arrangements on the South-North Pipeline; and
- Changes requested by the Commissioner for Energy Regulation with respect to licensing and emergency arrangements relating to the section of the South-North Pipeline in the Southern jurisdiction. Please note that the sections of the BGE(NI) Code relating to the part of the South-North Pipeline in the Republic of Ireland may be subject to changes as directed by the CER.

Consultation Period

The Utility Regulator requested in its conclusion paper of the 10th May 2012 that the consultation period for this Initial Modification Report should be shortened to two weeks to resolve the infringement issues in a timely manner.

General Principles

Physical Forward Flow

- Shippers will have the option to deliver gas to the NI network via the Carrickfergus Entry Point and/or the South-North Entry Point for offtake at an Exit Point. Effectively, this means that two “contract paths”¹ may be utilised to offtake gas:
 1. Carrickfergus Entry Point – Exit Point;
 2. South-North Entry Point – Exit Point.
- As part of the Exit Point Registration process, Shippers will be required to indicate which Entry Point(s) they intend to utilise;
- Shippers with existing Exit Point Registrations may, if they so wish, apply for an “extension” of their Exit Point Registration to include the South-North Entry Point;
- Shippers wishing to deliver gas to the BGE (NI) network at the South-North Entry Point will be required to hold a Gas Shipping Licence as issued by the CER in addition to a Gas Supply Licence as issued by NIAUR;
- Separate capacity bookings, nominations and allocation processes will be required in respect of each contract path;
- Shippers may apply for and hold an aggregate quantity (sum of Capacity holdings on two contract paths) of Capacity with respect to a given Exit Point which is in excess of the Maximum Offtake Rate at a given Exit Point. However, aggregate Nominations at the Exit point will be restricted to an amount less than or equal to the Maximum Offtake Rate.

Virtual Reverse Flow

- Available Virtual Reverse Flow Capacity will depend on the presence of physical flows at Virtual Exit Points and will be subject to regular updates;
- The Virtual Reverse Flow service will be available on all contract paths containing at least one element of Virtual Reverse Flow;
- The BGE (NI) Code describes the South – North CSP and Carrickfergus as Virtual Exit Points;
- Shippers will be required to be appropriately registered in respect of a Virtual Exit Point prior to availing of the Virtual Reverse Flow service;
- In the instance of an interruption being invoked at a Virtual Exit Point, the Transporter will reduce the Available Virtual Reverse Flow Capacity to zero;
- Shippers will be required to reduce their Virtual Reverse Flow nomination to zero in the case above;
- Tariffing arrangements have not yet been finalised for the Virtual Reverse Flow service and have been issued for consultation by the Utility Regulator.

¹ While the term “contract path” is used in this report, the language in the BGE (NI) Code refers instead to gas delivered at a specific Entry Point and offtaken at a specific Exit Point.

1. Modifications Proposed by:

The Transporter.

2. Proposed Modifications Submitted:

8th June 2012

3. Transporter's Opinion of Proposed Modifications:

The Transporter supports the proposed changes insofar as they serve the purpose of satisfying the terms of the infringement in a timely manner. However, it is felt that the introduction of a second Entry Point and Virtual Reverse Flow services into a point to point regime creates certain difficulties and complexities in terms of commercial arrangements. Therefore, the Transporter would welcome any future move to an entry/exit system in Northern Ireland.

4. Impact on other DPO's Codes

Code Modifications are being raised concurrently by Premier Transmission Ltd. and Belfast Gas Transmission Ltd. in order to introduce a Virtual Reverse Flow service in their respective Codes. While certain aspects of each TSO's modifications are independent of the others', there are also areas of commonality. In these areas, the TSOs have engaged with each other and with NIAUR with a view to ensuring that a streamlined outcome is achieved.

5. Proposed Implementation Date

1st July 2012

6. Consultation Period for Initial Modification Report

Comments are requested on or before 22nd June 2012.

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