

Caiman Cahill
GNI(UK)Ltd
Bord Gais Networks,
PO Box 51,
Gasworks Road,
Cork.

29th May 2015

Dear Caiman

Re:- GNI(UK) Code Modification Proposal 14

Thank you for your recent submission of the Final Modification Report in respect of the above named modification. The purpose of the modification is to implement the requirements of the Capacity Allocation Mechanisms Regulations (EC 984/2013). It also provides for the introduction of entry capacity products into the Northern Ireland gas transmission regime.

The Northern Ireland Authority for Utility Regulation (NIAUR) has considered the issues raised by the modification and the FMR.

GNI(UK) Conclusions

GNI(UK) states in the FMR that the relevant objective (Condition 2.4 of the GNI(UK) Licence), would be better facilitated by the Licensee's Network Code as a result of this modification.

Authority Review and Conclusions

We note that there were three third party responses received and that none of these supported the introduction of the proposed Entry Capacity Ratchet Mechanism. However we also note that none of those who opposed the introduction of this mechanism proposed an alternative to address the potential issues that could arise if the current rules were to remain in place.

The two distribution network operators who responded both raised the issue of the recovery of costs associated with the Ratchet Mechanism. We consider that this issue can be fully addressed by limited modification of the distribution network code. And is therefore not sufficient a reason to consider an alternative mechanism. The distribution network operators are presently engaged in developing modification proposals to address this issue. It is expected that they will commence formal modification process shortly.

Third party respondents made other points relating to other aspects of the modification proposal. These and other issues have been addressed by GNI(UK) as part of the process of producing the Final Modification Report.

We have also considered whether the modification would better facilitate the 'relevant objective' as defined in Condition 2.4.1 of your licence. The modification will introduce Entry Capacity products into the Northern Ireland transmission regime with this Entry Capacity at the designated Interconnection Points being allocated to network users by means of a competitive auction mechanism. This will facilitate compliance with the relevant Regulations, EC 984/2013. Consequently we consider that this will facilitate the secure, safe, reliable, efficient and economic development and maintenance of the Network.

Accordingly, we have concluded that the modifications proposed should be made.

We note the provisions of 1A.14.4 which are designed to deal with any conflict between the code and the relevant transporters rulebook and 1A.14.4(b)(ii) which requires GNI(UK) to

consult with shippers and to notify shippers as to how it implements the relevant provision of the code to deal with the conflict. We also expect GNI(UK) to similarly consult with and to notify the Authority as to the outcome of its determination under 1A.14.4(b)(i). At this stage we do not consider that a code modification to this effect is necessary as we expect GNI(UK) to act transparently but we will keep this under review.

We also ask GNI(UK) to monitor the impact on the code of 1A.6.8(e) which indicates that if there is a conflict between the CPO Rules and Processes and section 1A.6, the CPO processes and rules will prevail. Code modifications may be necessary to deal with any conflict should it arise.

Decision

As provided for in Condition 2.4.7 (c) of the GNI(UK) licence we direct GNI(UK) to implement the modifications set out in the Final Modification Report submitted to the Authority on 20th April 2015.

The modifications should be implemented in May 2015. You should note that we may use the relevant powers to make changes consistent with our statutory duties in future as we believe appropriate.

Yours sincerely



Tanya Hedley
Director of Compliance & Network Operations

