

# DRAFT

[21st December 2007]

## Transportation Network Code Proposed Modification 6 Initial Modification Report

### 1 Introduction

BGE(NI) ("the Transporter") has prepared this report in accordance with Sections 3 and 4 of the BGE(NI) Transportation Network Code Modification Rules.

### 2 Proposed Modification

#### Background

The DPO's have developed a common Code Modification to reduce the quantity of Balancing Gas required to be bought or sold and subsequently reduce the cost of Balancing the NI Network.

Based on analysis of historic imbalance behaviour of Shippers transporting gas on the NI Network, one of the main factors which may influence Shipper balancing behaviour is the difference between the UK SAP (System Average Price) and the NI DGP (Northern Ireland Daily Gas Price).

The NI DGP for a day is based on the buy/sell price of any balancing gas bought or sold that day. On days where there are no balancing actions, the DGP is the weighted average cost of purchasing and/or selling Balancing Gas over a ninety one (91) Day period ending at the end of the Day (D) in respect of which the relevant charge using the Daily Gas Price is made (the DGP91). Generally for the majority of the days in the month the DGP is based on the 91 day average rather than the price of gas bought or sold on a day, i.e. there are fewer days in a month where balancing actions are taken than no balancing actions taken. The UK SAP for a day is the weighted average of all gas traded on the UK transmission system on that day.

This DGP91 average price can diverge significantly from the UK SAP Price, and there is potential for Shippers to use this variation as a valid means to leave excess gas on the system or to off-take more gas from the system than has been entered, resulting in an increase in the number of Balancing Gas actions required by the Transporter resulting in increase cost to Shippers.

The goal of this Modification is to reduce the number of Balancing Gas actions necessary and therefore reduce costs to Shippers.

#### Modification Proposal

The Transporter proposes to change how the DGP is determined, by removing the link to Balancing Gas buy/sell prices for a day, and the 91 day average elements of the DGP calculation and replace these with the UK SAP Price. See proposed legal drafting in Schedule 1 of this document.

It is also proposed to amend and clarify section 4.3.3. of the BGE(NI) Transportation Network Code. This drafting allows for reduction of a Shipper's Exit Point Tolerance (EPT) in circumstances where there have been repeated negative imbalances. The Transporter believes that this should be extended to also include positive imbalances.

The Transporter also proposes to amend the drafting in section 4.3.3. to clarify the number of times a Shipper's EPT can be reduced within a month. The Transporter proposes to clarify the drafting such that a Shippers EPT can be reduced only once in any Month where that Shipper has had a Positive or/ or Negative Imbalance which exceeds its EPT for four consecutive days or for six days in that Month.

### **3 Modification proposed by:**

The Transporter.

### **4 Proposed Modification submitted:**

[21<sup>st</sup> Dec 2007]

### **5 Transporter's Opinion of the Code Modification**

The Transporter supports the proposal as it has been discussed with the other DPO's and the modification is intended to reduce the number of balancing actions required on the NI Network and hence reduce overall costs to Shippers.

### **6 Impact on other Designated Pipeline Operator's Network Codes:**

The Transporter has developed this modification in conjunction with and it is understood that PTL are preparing a similar modification thus ensuring consistency between the NI Network Codes.

### **7 Sections and parts of the Code that would require amending**

See Schedule 1 at the end of this document for details of the proposed modifications to the BGE(NI) Transportation Network Code.

### **8 Consultation period for Initial Modification Report**

Comments are requested on or before 28<sup>th</sup> January 2008 (20 Business Days from publication of the Initial Modification Report).

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### **9 Likely Implementation Date:**

The Transporter proposes that the modification be implemented on 1<sup>st</sup> Feb 2008.

## SCHEDULE 1

The proposed changes to the following sections of the BGE (NI) Transportation Network Code are outlined below.

### 4. BALANCING AND SCHEDULING CHARGES

#### 4.1 Introduction and Definitions

4.1.1 Each Shipper shall, for each Gas Flow Day, use all reasonable endeavours to ensure that such Shippers Entry Allocation with respect to an Exit Point is equal to the Shippers Exit Allocation in respect of the same Exit Point.

4.1.2 The Transporter shall use reasonable endeavours to ensure the physical balance of the Transportation System.

4.1.3 A common daily price (the “**Daily Gas Price**”) will ~~apply~~ ~~be calculated by the Upstream Operator~~ for the NI Network and shall by reference to balancing actions on the NI Network based on:

~~(i) Firstly, the weighted average of the pence per kWh price or prices (as appropriate) of Balancing Gas purchased and/or sold by the Upstream Operator and Balancing Gas purchased and/or sold by the Transporter;~~

~~(ii) secondly, if the Daily Gas Price calculated in accordance with (i) above is zero, be calculated as the weighted average cost of purchasing and/or selling Balancing Gas over a ninety one (91) Day period ending at the end of the Day (D) in respect of which the relevant charge using the Daily Gas Price is made; and~~

~~(iii) thirdly, if the Daily Gas Price calculated in accordance with (ii) above is zero, be equal to the System Average Price (as defined in the GB Uniform Network Code) on the relevant Day (as defined in the GB Uniform Network Code).~~

~~where the weighted average shall, for the purposes of (i) and (ii), be the aggregate of all purchases and/or sales (price per kWh multiplied by amount in kWh purchased or sold) divided by the total amount in kWh purchased and/or sold.~~

4.1.4 All Shippers transporting Natural Gas on the Transportation System will be cashed out at the Daily Gas Price.

4.1.5 If for any reason the Daily Gas Price is not available or is disputed then Shippers will be cashed out at such alternative price as the Transporter may reasonably determine.

#### 4.3 **Balancing Charges**

- 4.3.1 On any Day on which a Shipper has a Positive Balance a charge shall, subject to Section 6.11.2, be payable to it of the aggregate of the value of:
- (a) an amount of Balancing Gas up to or equal to the Exit Point Tolerance calculated at the Daily Gas Price; and
  - (b) any amount of Balancing Gas exceeding the Exit Point Tolerance calculated at the lower of the Daily Gas Price multiplied by 0.7 and the System Marginal Sell Price on the relevant Day (as defined in the GB Unified Network Code)
- 4.3.2 On any Day on which a Shipper has a Negative Balance it shall, subject to Section 6.11.2, pay an amount equal to the aggregate of the value of:
- (a) an amount of Balancing Gas up to or equal to the Exit Point Tolerance calculated at the Daily Gas Price; and
  - (b) any amount of Balancing Gas exceeding the Exit Point Tolerance calculated at the higher of the Daily Gas Price multiplied by 1.7 and the System Marginal Buy Price on the relevant Day (as defined in the GB Uniform Network Code)
- 4.3.3 If a Shipper has a Negative Balance and/or Positive Balance which exceeds its Exit Point Tolerance either on four (4) or more consecutive Days or on any six (6) Days in any Month, the Transporter shall reduce its Exit Point Tolerance by one half, until such time as the Shipper has avoided a Negative Balance for five (5) consecutive days at which point its Exit Point Tolerance shall be reinstated at the original level. This reduction of a Shipper's Exit Point Tolerance, pursuant to this section 4.3.3, will occur only once in any particular Month.