

28th August 2012

Final Modification Report:

Proposed Modification No. 8 to BGE(NI) Transportation Network Code:

"Ten Towns Market Opening"

This report provides the background and context for the proposed modification, outlines the modification process to date, and states the Transporter's opinion of the proposed modification. It also includes the proposed drafting to the BGE(NI) Code and has been prepared in accordance with Section 9 of the Modification Rules.

A Description of the nature and purpose of the modification

Modification Proposal

The purpose of this modification is to facilitate the transportation of Natural Gas for offtake to the Ten Towns Distribution Network. It sets out the interface arrangements between BGE(NI), Firmus Energy Distribution Limited (feDL), and BGE(NI) Shippers at the Ten Towns Exit Point.

Background

Since March 2005, Firmus Energy has held Supply and Distribution licences for the natural gas network serving ten key towns (the "Ten Towns") connected to the BGE(NI) transmission network. Firmus Energy Supply has to date retained exclusive rights to supply gas to customers on the Ten Towns network. However, from 1st October 2012 alternative Suppliers are entitled to compete with Firmus Energy Supply for the supply of gas to large industrial and commercial customers.

Market opening requires feDL, as the Distribution System Operator (DSO), to develop a Distribution Code, to which Firmus Energy Supply and any other prospective supplier will be required to accede. In order to reflect these developments, it is necessary for BGE(NI) to make amendments to the BGE(NI) Transportation Network Code.

As the distribution network in Greater Belfast has operated on a similar basis for some time, NIAUR directed BGE(NI) to base the proposal on the arrangements which currently exist in the respective codes of Premier Transmission Limited (PTL) and Phoenix Natural Gas (PNG).

Following discussions with PTL, PNG and Firmus, and a review of the PTL and PNG codes, BGE(NI) published an Initial Modification Report on the 16th March 2012, with industry requested to respond by 18th April 2012.

Representations or Objections made by any Consultee

The Transporter received two responses to the Initial Modification Report consultation. Firmus Energy expressed its support for the proposal, while PNG suggested certain amendments to the proposal. PNG acknowledged the appropriateness of mirroring the interface arrangements which exist between PTL and PNG, while highlighting two instances where the actual arrangements between the two parties in practice diverge from the provisions of the PTL Code, and suggested the following:

1. The proposed nomination matching process at the feDL Exit Point does not provide any benefit to the distribution network and therefore should not be implemented.
2. Final Allocations may be determined at month's end following a reconciliation process carried out by feDL, based on distribution meter data. PNG believe that this process may result in more accurate Shipper allocations.

BGE(NI) discussed the suggested amendments with PNG, Firmus, PTL and NIAUR, with all parties in agreement that the proposed amendments should be adopted.

It is the opinion of the Transporter that the amendments improve the efficiency of the interface arrangements by avoiding unnecessary processes and associated costs. The month's end reallocation process ensures that the available metering data is optimised in terms of providing the most accurate allocations to Shippers. The Transporter also believes that the amendments do not change the stated aim of the modification, and as such do not require an "Alternative Proposed Modification" and associated consultation period under the BGE(NI) Code Modification Rules.

Transporter's Opinion of the Code Modification

The Transporter supports the proposed modification, believing that it achieves the relevant objective.

B How the modification better facilitates the relevant objective

The proposed modification achieves the objective of facilitating market opening on the Ten Towns network, while minimising time and cost implications for potential market entrants by introducing measures which are consistent with those which exist in Greater Belfast. The modification adopts those processes and information flows which have been found to be effective in similar TSO – DSO interface arrangements, and omits those which were found to be unnecessary.

C The clauses of the Transportation Code that require amendment

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

1. Amend clause 2.5.2(b) as follows:

“(b) *If the Nomination is at an Exit Point other than a Distribution Connected System Exit Point and specifies an Interruptible Nominated Quantity which is greater*

than the Available Interruptible Capacity at the relevant Exit Point and associated Entry Point.”

and amend clause 2.5.2 by adding the following:

“In addition to the foregoing the Transporter may reject a Nomination if the Nomination(s) at the Exit Point specify or will result in:

(i) an Implied Nomination Flow Rate which is greater than the aggregate booked MHQ at that Exit Point; or

(ii) an Implied Nomination Flow Rate which exceeds in respect of that Nomination and any other Nomination with respect to the same Gas Flow Day at the Exit Point exceeds the Maximum Offtake Rate; or

(iii) if the Nomination is with respect to the Distribution Connected System Exit Point and the Nomination (either on its own or in aggregate with other Nominations which specify an Interruptible Nominated Quantity) specifies an Interruptible Nominated Quantity which is greater than the Available Interruptible Capacity at the relevant Distribution Connected System Exit Point and associated Entry Point;

2. Amend clause 3.2.2 as follows:

“3.2.2 Each Initial Entry Allocation and each Initial Exit Allocation

(a) at an Exit Point which is not a Distribution Connected System Exit Point shall, subject to Sections 3.2.4, 3.6 and 9, become a final allocation (a “Final Entry Allocation” and a “Final Exit Allocation” respectively) at 16:00 on the fifth Day after D (“D+5”).

(b) at a Distribution Connected System Exit Point shall in respect of each Day of a month, subject to Sections 3.2.4, 3.6 and 9, become a final allocation (a “Final Entry Allocation” and a “Final Exit Allocation” respectively) at 16:00 on the fifth Business Day of the subsequent month (“M+5”).

3.2.3 each Initial VRF Entry Allocation shall be subject to Sections 3.2. 6, 3.6 and 3.9 (where applicable) become a final allocation (a “Final VRF Entry Allocation”) at 16:00 on D+5. Each Initial VRF Exit Allocation shall be the Final VRF Exit Allocation at 16:00 on D+5.”

3. Amend clause 3.6 as follows:

*“3.6 **Change to the Initial Allocation at a Shared Exit Point after it is made***

- 3.6.1 Any Shippers who offtake Natural Gas from a Shared Exit Point (other than a Distribution Connected System Exit Point) may ~~agree between themselves on, and~~ request a different allocation from the Initial Allocation at that Shared Exit Point (but not between Shared Exit Points and not between Firm and Interruptible Allocated Quantities) in respect of their aggregate Allocated Quantity of Natural Gas for D (a "**Reallocation**").
- 3.6.2 A Reallocation at an Exit Point which is not a Distribution Connected System Exit Point may only be requested:
- (a) by all Shippers whose allocations would change as a result of any such Reallocation writing jointly to the Transporter;
 - (b) during the period between the commencement of D+1 and 16:00 on D+5; and
 - (c) not more than once in respect of each Day unless the Exit Quantity is adjusted in accordance with Section 9 in which case a further Reallocation may be requested.
- 3.6.3 A Reallocation shall be accepted by the Transporter only if it is satisfied that the aggregate Exit Quantity of Natural Gas which would be allocated to such affected Shippers if Section 3.6.1 was applied, is equal to the quantity of Natural Gas which the affected Shippers have requested be reallocated.
- 3.6.4 A Reallocation accepted in accordance with Section 3.6.3, shall, subject to Section 9, become a Final Allocation.
- 3.6.5 Where a Shipper has Exit Allocations pursuant to more than one Firm Capacity booking at the same Exit Point the Shipper may reallocate at the Exit Point as between the Firm Capacity bookings and the provisions of Section 3.6.1 to 3.6.5 (inclusive) shall apply mutatis mutandis to any such reallocation.”
- 3.6.6 A Reallocation at a Distribution Connected System Exit Point may only be requested:
- (a) by the Connected System Operator on behalf of Shippers at the Distribution Connected System Exit Point;
 - (b) during the period between 06:00 on the first Business Day and 16:00 hours on the fifth Business Day of the next subsequent calendar month; and
 - (c) not more than once in respect of each Day unless the Exit Quantity is adjusted in accordance with Section 9 in which case a further Reallocation may be requested.
- Any such Reallocation shall only be accepted if the aggregate of all Allocations and/or Reallocations in respect of each Day is equal to the Exit Quantity in respect of such Day.
- “3.6.7 Shippers at the Distribution Connected System Exit Point authorise the Transporter to accept Reallocation requests at the Distribution Connected

System Exit Point from the Connected System Operator in accordance with clause 3.6.”

4. Amend Clause 6.9.1 and 6.18.2 as follows:

“6.9.1 Each Shipper shall provide to the Transporter:

(a) A single telephone and facsimile number at which the Transporter may contact, twenty four (24) hours a Day and on each Day of a Gas Year, in an emergency for any purpose pursuant to this Section 6;

(i) a representative of the Shipper; and

(ii) a representative of any End User at an Exit Point (other than a Distribution Connected Exit Point) in respect of which a Shipper has an Exit Point Registration ...”

“6.18.2 The Transporter may agree with the Connected System Operator downstream of Distribution Connected System Point, the Emergency Procedures to be taken with respect to such Distribution Connected System and/or the Transportation System in the event of an Emergency affecting the Transportation System or an emergency affecting the Distribution System (as the case may be). The Transporter shall not be in breach of this Code or any obligation pursuant to this Code to the extent that the Transporter takes action as may be required pursuant to any such emergency procedures agreed with the Connected System Operator.”

5. Amend clause 8.1.3(a) as follows:

“8.1.3 For the purpose of this Code:

(a) an “Exit Point” is defined as a point at which Natural Gas is offtaken by Shippers from the Transportation System for the purpose of supplying Natural Gas to premises and shall be as described in the Network Exit Parameter Schedule and shall include a Connected System Exit Point which may be as described in any applicable CSA”

6. Amend section 8.1.4 as follows:

“8.1.4 Nothing in this Code shall prevent the Transporter from exercising any statutory and/or regulatory entitlement or discharging any statutory and/or regulatory duty whether under the Code or under any applicable legislation or directive which may involve the disconnection of or refusal to convey Natural Gas, or to allow Natural Gas to be conveyed, to any End User's Facilities or offtaken at a Distribution Connected System Exit Point.”

7. Insert a new clause 8.1.6:

“8.1.6 The Transporter may enter into one or more Connected System Agreements with the Connected System Operator at a Distribution Connected System Exit Point. The Transporter shall notify Shippers of any provisions of such Connected

System Agreement(s) which affect the offtake of Shipper's Natural Gas at the relevant Connected System Exit Point."

8. Amend Clause 8.2.1 as follows:

"8.2.1 A Shipper or Shippers shall not:

(a) vary the rate of Offtake of Natural Gas from any Exit Point by more than the ramp rate in respect of that Exit Point set out in the Shippers Network Exit Parameter Schedule or, in the case of a Distribution Connected System Exit Point, as provided in any applicable Connected System Agreement; or

(b) exceed the maximum offtake rate in respect of any Exit Point set out in the Shipper's Network Exit Parameter Schedule or in the case of a Distribution Connected System Exit Point as provided in any applicable Connected System Agreement."

9. Amend Clause 8.2.2 as follows:

"8.2.2 If a Shipper or Shippers in aggregate at a Shared Exit Point (including for avoidance of doubt a Distribution Connected System Exit Point)....."

10. Amend Clause 8.3.1 as follows:

*"8.3.1 The Transporter shall, subject to Section 8.3.10, 8.3.11 and any conditions on the availability of pressure as set out in the Network Exit Parameter Schedule or applicable Connected System Agreement, make Natural Gas available for offtake from the Transportation System at the Exit Point to a Shipper at a pressure of no less than that set out in the Shipper's Network Exit Parameter Schedule or applicable CSA in respect of each Exit Point (the "**Minimum Pressure**")."*

11. Amend Clause 8.3.2 as follows:

*"8.3.2 A Shipper may request that the Transporter makes all Natural Gas available for offtake from the Transportation System at any Exit Point which is not a Connected System Exit Point in respect of which it has an Exit Point Registration at a pressure exceeding the Minimum Pressure ("**Enhanced Pressure**") not later than thirty five (35) Business Days before it requires the Enhanced Pressure to be available."*

12. Amend Clause 8.4.2 as follows:

*"8.4.2 If all Natural Gas entering the Transportation System is in accordance with the Gas Specification, but Natural Gas does not conform to the Gas Specification when made available for offtake by a Shipper from the Transportation System at an Exit Point ("**Off-Spec Gas**"), the Shipper may, subject to the provisions of any applicable Connected System Agreement from time to time, until such time as the Natural Gas so made available for offtake complies with the Gas Specification, in its discretion:*

- (a) *offtake or continue to offtake such Off-Spec Gas; or*
- (b) *decline to offtake or to continue to offtake such Off-Spec Gas.”*

13. Amend Clause 8.6 as follows:

“8.6 Discontinuance of supply at Exit Point

8.6.1 If any Shipper:

- (a) *uses, or an End User, for whom the Shipper has procured gas, uses, Natural Gas offtaken from the Transportation System at an Exit Point other than as an RPO or other than in accordance with this Code or any applicable CSA or deals with offtaken gas so as to interfere with the efficient transportation or offtake of gas by any other Shipper; or*
- (b) *inputs Non-Compliant Gas into the Transportation System,*

the Transporter may discontinue the supply of Natural Gas to the Exit Point until the interference is remedied to the satisfaction of the Transporter.”

14. Amend Clause 9.8.1 and insert new clause 9.8.2 as follows:

“9.8.1 The Measurement Equipment at all Exit Points shall be validated by the Transporter at least once in each Gas Year save as otherwise provided pursuant to any Connected System Agreement at a Connected System Exit Point.

9.8.2 Where a Connected System Agreement exists at a Connected System Exit Point, the provisions of such Connected System Agreement relating to the validation of Measurement Equipment shall supercede any provisions of this section 9.8.”

15. Amend Clause 9.9.1 as follows:

9.9.1 In the absence of reliable readings from the Measurement Equipment at an Exit Point, or if any of the Measurement Equipment fails to function, the Transporter shall deem that the quantity of Natural Gas flowing through such Measurement Equipment is equal to the aggregate of the Nominated Quantities in respect of such Exit Point unless, in the Transporter's reasonable opinion, a more accurate determination of the quantity of Natural Gas flowing through such Measurement Equipment would be achieved by the Transporter:

- (a) *using appropriate gas engineering technology; or*
- (b) *relying on any written evidence of such quantities presented by a Shipper before 16:00 hours on D+5; ~~or-~~*
- (c) *in accordance with any applicable Connected System Agreement at the Distribution Connected System Exit Point”.*

16. Amend Clause 9.10.1 as follows:

“9.10.1 The Transporter shall use its reasonable endeavours to ensure that a Shipper shall have a right of access to the Measurement Equipment at any Exit Point in respect of which it has an Exit Point Registration, for any reasonable purpose, at reasonable times, at its own risk and on giving reasonable notice to the Transporter. Nothing in this section 9.10.1 shall or shall be deemed to oblige the Transporter to procure right of access for a Shipper to the Measurement Equipment at any Connected System Exit Point pursuant to any Connected System Agreement or otherwise.”

17. Insert additional Clause 9.14 as follows:

“9.14 Profiling

9.14.1 Shippers acknowledge that the Transporter may enter agreements (including pursuant to a CSA) for the profiling of Natural Gas to be offtaken in aggregate at any Connected System Exit Point, and that such profile may not reflect any individual Shippers requested profile”

18. Amend Clause 10.3.1 and insert Clause 10.3.2 as follows

“10.3.1 Any Shipper with an Exit Point Registration in respect of an Exit Point which is not a Connected System Exit Point at which Scheduled Maintenance is proposed shall meet with the Transporter at a mutually convenient time to discuss the Maintenance Programme for the following Gas Year with a view to concluding such consultations before 30 September. A Shipper may, in the course of such discussions, notify the Transporter of the maintenance programmes in relation to any facilities downstream of an Exit Point.

10.3.2 At a Connected System Exit Point at which Scheduled Maintenance is proposed, the Transporter shall meet with the Connected System Operator at a mutually convenient time to discuss the Maintenance Programme for the following Gas Year with a view to concluding such consultations before 30 September. The Connected System Operator may, in the course of such discussions, notify the Transporter of the maintenance programmes in relation to any facilities downstream of an Exit Point.”

19. Amend 10.4.1(c) as follows:

“10.4.1(c) Exit Points in respect of which the Transporter shall be permitted to take such additional Maintenance Days as shall be provided in the relevant Shipper’s Network Exit Parameter Schedule or applicable CSA.”

20. Amend Clause 17.6.1 as follows:

“17.6.1 The Transporter shall, within twenty (20) Business Days of receiving from a Shipper an Exit Point Registration Application and/or an Exit Point Registration Extension Application in accordance with Section 17.5 and any Downstream Load Statement in relation to the Exit Point in accordance with Section 17.8 issue to the Shipper an Exit Point Registration, a Network Exit Parameter Schedule or a copy of any relevant provisions of any applicable Connected

System Agreement and notify the Shipper of the Exit Point Tolerance in respect of the Exit Point.”

21. Amend Clause 17.7.3 as follows:

“17.7.3 In the event that a Shipper who terminates its Exit Point Registration in accordance with Section 17.7.1 would result in no Shipper holding an Exit Point Registration in respect of an Exit Point which is not a Connected System Exit Point, the Transporter shall be entitled to require the Shipper to maintain its Exit Point Registration until such time that the Transporter has isolated the Exit Point. The Transporter shall so isolate the Exit Point as soon as reasonably practicable after the date on which the Shipper wishes the termination of its Exit Point Registration to take effect.”

22. The following additional definitions to be added:

*“**Connected Facilities**” means the facilities immediately downstream of an Exit Point whether or not owned by a Shipper but excluding any Connected System;*

*“**Connected System Exit Point**” – shall mean a point which Natural Gas is offtaken by Shippers from the Transportation System for onward transportation in a Connected System and shall include a Distribution Connected System Exit Point.*

*“**Connected System Operator**” means the party responsible for operating any transportation system connected to the Transportation System (but excluding for avoidance of doubt the Upstream Operator) and shall include the operator of a Distribution System connected to the Transportation System (a Distribution Connected System Operator)”.*

*“**Distribution Connected System Exit Point**” means a point at which Natural Gas is offtaken by Shippers from the Transportation System for the purpose of onward transportation in a Distribution System but excluding for avoidance of doubt the Lisburn Exit Point.*

*“**Distribution System**” means a pipeline network designed to operate at pressures up to 16 barg.”*

D The date proposed for implementation

The Transporter proposes that the modification be implemented on 1st October 2012. Firmus Energy Distribution Limited may submit an application for Firm Capacity to BGE(NI) in advance of 1st October 2012, however any resulting allocation of Capacity would not become effective until the implementation date.

E Impact on other Designated Pipeline Operator’s Network Codes:

As this modification to the BGE(NI) Code includes information flows between the Transporter and feDL, it may be necessary for feDL to review its distribution network code to ensure that it is consistent with the BGE(NI) Code.