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Dear Aidan

**BGE (NI) - Transportation Network Code Proposed Modification No. 8 – Firmus Energy Market Opening**

Phoenix Natural Gas (PNG) welcomes the opportunity to respond to the above Proposed Modification. In preparing its response PNG has considered the proposals in relation to the current operational regime which exists between Premier Transmission Ltd (PTL) and PNG at the Belfast Gas Exit Point 1 (BGEP1) and how the current provisions of the PTL transportation Code actually work with respect to these interface arrangements.

The Initial Code Modification report states that the proposed modification has been developed to replicate where possible the arrangements that currently exist between PTL and PNG in Greater Belfast for the firmus energy distribution ltd (fedl) ten towns market. PNG would be supportive of this consistent approach as it is essential to the development of the natural gas industry in Northern Ireland that effective market opening is allowed to develop beyond the Greater Belfast gas market. However PNG feel it is necessary to advise that the current provisions of the PTL Network Code are not truly reflective of the interface arrangements which both parties undertake. The specific arrangements of the current regime and its divergence from PTL's Code provisions are detailed below.

**Section 2: Nominations**

The proposals included for matching nominations and renominations in the Initial Modification report correspond with PTL Code provisions (Section 2.15) but these matching processes do not take place at BGEP1 and have never been discussed with PNG. PNG do not believe there is any requirement from a distribution network perspective to match nominations as the distribution network is always deemed to be in balance with all balancing activity taking place at transmission level. For this purpose PNG's distribution network code makes no reference to balancing activities and has no equivalent requirements to match transmission nominations with PNG determined distribution

nominations and we assume that fedl will be in a similar position. Also it is worth noting that the BGE (NI) proposals like the current provisions of the PTL Code do not provide any detail of distribution operator's timescales for responding to requests to carry out a nomination or renomination matching process and as such the process is not clearly defined.

PNG would point out that to consider implementation of the proposals as currently drafted in the PTL Code would require an automated system solution which does not currently exist. The process as defined would place onerous matching processes on PNG which bring no benefit to the distribution regime. PNG could not support the implementation of any matching process at the BGEP1 and we therefore would ask if there is any requirement to add these provisions to the BGE (NI) Code which will be similarly non beneficial to fedl.

### **Section 3: Allocations**

Similar to the comments above on nominations, PNG recognise that the proposals replicate the PTL Code condition 3.6 for the BGEP1, however similar to the nominations process the current code provisions are not fully representative of the actual interface arrangements for sharing of allocation information between PTL and PNG.

As stated in the Initial Modification report, at D+7 under the PNG Code (and the proposed fedl Code), the distribution operator issues a shipper with an allocation. However at month end all distribution shippers' allocations are subject to a further reconciliation process which results in a more accurate determination of shipper throughput in a given month. The reconciliation process takes into account actual meter readings provided by shippers for larger NDM supply meter points. The current monthly process undertaken by PNG and PTL is that PTL first ask PNG to confirm if total transmission volumes are in line with PNG determined volumes and following completion of the PNG monthly charging determination process PNG issue the more accurate distribution shipper allocations to PTL. PTL can then choose to use the distribution information for the purpose of transmission charging. Therefore, although all shippers at BGEP1 have not requested that PTL use the PNG shipper allocations as required under the PTL code, use of these more accurate allocations for transmission charges is much more beneficial to all shippers and ultimately consumers than the alternative allowed for under the PTL Code using a pro-rate to nomination regime. The process currently employed has been in place since November 2006.

Based on the comments above, PNG therefore believe that consideration should be given for the actual current PNG / PTL regime to be included in the BGE (NI) Code and the PTL Code modified to reflect more accurately the process undertaken by PTL in relation to determining BGEP1 transmission charges.

We hope that the comments outlined in this response help inform the discussions and decision on what is appropriate for inclusion in the BGE(NI) Transportation Code for the purposes of market opening in the fedl licence area.

Yours sincerely

**Joanne**

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