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RE: Consultation on Proposed Modifications to Gas High Pressure Licences for Enduring Stranraer Arrangements, Haynestown Enduring Charging Arrangements and Other Minor Amendments

Deirdre

GMO NI welcomes the opportunity to respond to this consultation. GMO NI's comments on the modification focus mainly on the changes surrounding Stranraer, whilst any views on the Haynestown aspect of the licence modification will be dealt with directly by GNI (UK).

In terms of Stranraer, we believe introducing overrun charges and associated disbursements at year end, inclusion in the over-subscription scheme and carrying out an end of year reconciliation process for the Stranraer Shipper, results in a more fair and equitable treatment across all Shippers on the network. In addition, the tidy up proposals to bring the licences up to date with the previously implemented Stranraer Interoperator Agreement and associated code modification is welcomed to reflect current practices, and also will now enable GMO NI on behalf of PTL to process any Stranraer Shipper requirement to extend its non IP Entry Capacity booking beyond September 2026. We note the additional requirements on tariff setting information gathering and transparency for the Stranraer tariff, and generally agree that the additional work associated with this is incremental for GMO NI, however we have noted a couple of points relating to forecast information gathering in the Appendix for your consideration.

We also have some more technical/drafting related queries and comments which we have laid out in the Appendix to this letter for your consideration.

We would be happy to discuss any aspects of our response.

Yours Sincerely,

Mark Raphael

Mark Raphael
General Manager, GMO NI

Appendix

1. As a general comment we notice a new “Stranraer Shipper” term has been introduced to replace the “UC Shipper” term. Although it mentions in the relevant reason and effect section of the paper this is to refer specifically to the Stranraer Shipper there is no mention of the rationale for this change, and also whether future developments have been considered e.g. potential connections in Scotland, and it would be good to understand the logic behind this decision.
2. We notice In Condition 2A.2.6.2, the term $PSARR_t$ is used in the formula and defined as the “PS Actual Required Revenue in respect of Gas Year “t” “. Clause 3.1.8.8(b) also uses $PSARR_t$ but defines it as “the total PS Actual Required Revenue for Gas Year “t”, determined in accordance with Condition 2A.2.6.2”. However condition 2A.2.6.2 doesn’t determine $PSARR_t$ - it just defines it as its used in the formula similar to 3.1.8.8(b). Therefore, we would suggest removing the phrase “determined in accordance with Condition 2A.2.6.2” in condition 3.1.8.8 (b).
3. In Condition 2A.2.5.5 the reference to the invoice amounts being calculated for a Shipper “s” annual capacity element of its invoice we think should be to 2A.2.5.4(b) and not 2A.2.5.4(a) as stated - the calculation is in part b, not part a. In addition, we think as 2A.2.5.5(a) is stating and referencing previously purely how the total monthly capacity and commodity charges should be calculated by referencing back to the previous sections, the last part of the sentence stating, “plus Exit Ratchet Charges and Entry Overrun Charges in month “m” of Gas Year “Y”.” should be deleted. It’s the next condition (part b) where the total monthly invoice formula is provided.

In addition, In Condition 2A.2.5.5(b), the term VAT is used in the formula and defined as a rate and not an absolute amount, so it needs to be added to 1 and multiplied by the relevant term that VAT should be applied to, and therefore should remain as $(1+VAT)$ in the formula. In addition, it needs to be multiplied by the term or terms that the VAT should be applied to and not added on at the end, and therefore we think that in this formula it should be applied to all the terms as the VAT is applied to the total invoice amount for a shipper each month. Therefore, a bracket should be around all terms in the formula, and then multiplied by $(1+VAT)$.

4. We feel the algebra for the term $TORC_{st}$ in Condition 2A.2.6.5 needs amended to reflect that Sigma (\sum) is an operator for summation and should also not be included in defined terms. The current drafting double counts various terms and also includes calculations outside the formula in the definitions. For example the term $\sum_{s=1}^n ORC_{st}$ by using the Sigma operator means the sum of each Shippers (“s”) overrun charges in year “t” and then aggregated from Shipper 1 up to Shipper “n”, which by the new definition includes the Stranraer Shipper already so there is no need to add it into the definitions, nor is there the need to define what the operator Sigma means. Therefore, we think the drafting could be simplified as follows from the bottom of page 63 of Annex B (PTL Licence updates) to the drafting below:

$TORC_{st}$ is the proportion of the total of the Entry Overrun Charges due to Gas Supplier "s" in Gas Year "t" calculated according to the following formula:

$$TORC_{st} = \left(\sum_{s=1}^n ORC_{st} \right) \times \frac{TIA_{st}}{\sum_{s=1}^n TIA_{st}}$$

Where:

ORC_{st} is the charge to Gas Supplier "s" for Entry Overrun Charges in Gas Year "t", calculated as the sum of monthly overrun charges as defined in Condition 2A.2.5.5;

TIA_{st} is the total invoice amount, excluding the amount relating to VAT for Gas Supplier "s" in year "t", calculated as the sum of monthly invoice amounts for Gas Supplier "s", calculated according to Condition 2A.2.5.5;

n is the total number of Gas Suppliers active in Gas Supplier active in Gas Year "t", which includes for the purposes of this calculation the Stranraer Shipper.

5. Condition 2A.2.6.5 deals with the year-end reconciliation payment for all Shippers, and with the changes proposed includes the Stranraer Shipper. However, Condition 3.1.8.9 essentially duplicates this section but purely for the Stranraer Shipper. We feel that due to the changes introduced Condition 3.1.8.9 is not required as it is already covered in Condition 2A.2.6.5. Our understanding is that the term Gas Suppliers includes the Stranraer Shipper, however the term PS Gas Suppliers does not. Condition 2A.2.6.5 could be updated with the term PS Gas Suppliers if both conditions are to be kept, or Condition 3.1.8.9 could be removed.
6. We note that the proposed section on gathering of forecast information and provision to UR in the PTL licence is in line with those in the existing licences for the Postalised Shippers, however we would note that the information stated in the licence does not fully line up with both information received from Shippers and provided to UR. For example, many distribution Shippers do not provide the number of customers connected and the average forecast quantity per consumer, but this has never been an issue as it is not required for tariff setting purposes, and therefore we would question whether this is actually required. We would therefore be keen to take this opportunity to update and streamline the information provision section for both Stranraer and PS Shippers to ensure drafting defines exactly what is required for the tariff process and reflects the process and information exchanges. To that end, GMO NI would welcome further engagement with UR to step through this process and update the licences accordingly.