



TSO Update

16th October 2014

Presentation Content

1. Entry Registration and Capacity Transition Consultations
2. Interim Measures Report
3. Nominations and Allocation Business Rules
4. Upcoming Activities

1. Entry Registration and Capacity Transition Consultations

Consultations

- Business Rules consultation period 4th August – 29th August
- Responses
 - Joint: 5
 - Entry Registration Rules: 1
 - Entry Capacity Transition Rules: 1
- Summary of responses provided with revised Business Rules
- Two key points:
 1. Rejection of nominations which exceed capacity bookings
 2. Determination of DN Shipper's Initial Entitlement

Entry Capacity Transition - Initial Entitlements

- 'Firm Capacity' will transition to Exit Capacity plus an Initial Entitlement of Entry Capacity
- Each Shipper's Initial Entitlement will correspond to the quantity and duration of their share of the Firm Capacity which has been allocated (on behalf of all Shippers) in respect of future Gas Years commencing 1st October 2015 and thereafter
- TSOs shall notify Shippers of their Initial Entitlement by 31st March 2015
- For BGEP 1 and BGEP 2 Initial Entitlement of each Shipper to be calculated as follows:
- For each Exit Point;
 - The highest Final Allocation for each Shipper during the period 1st October 2013 – 30th September 2014 shall be identified; and
 - The difference between the sum of the highest Final Allocations of all the Shippers determined and the total Firm Capacity allocated at the Exit Point shall be shared between the Shippers pro-rata to their highest Final Allocation

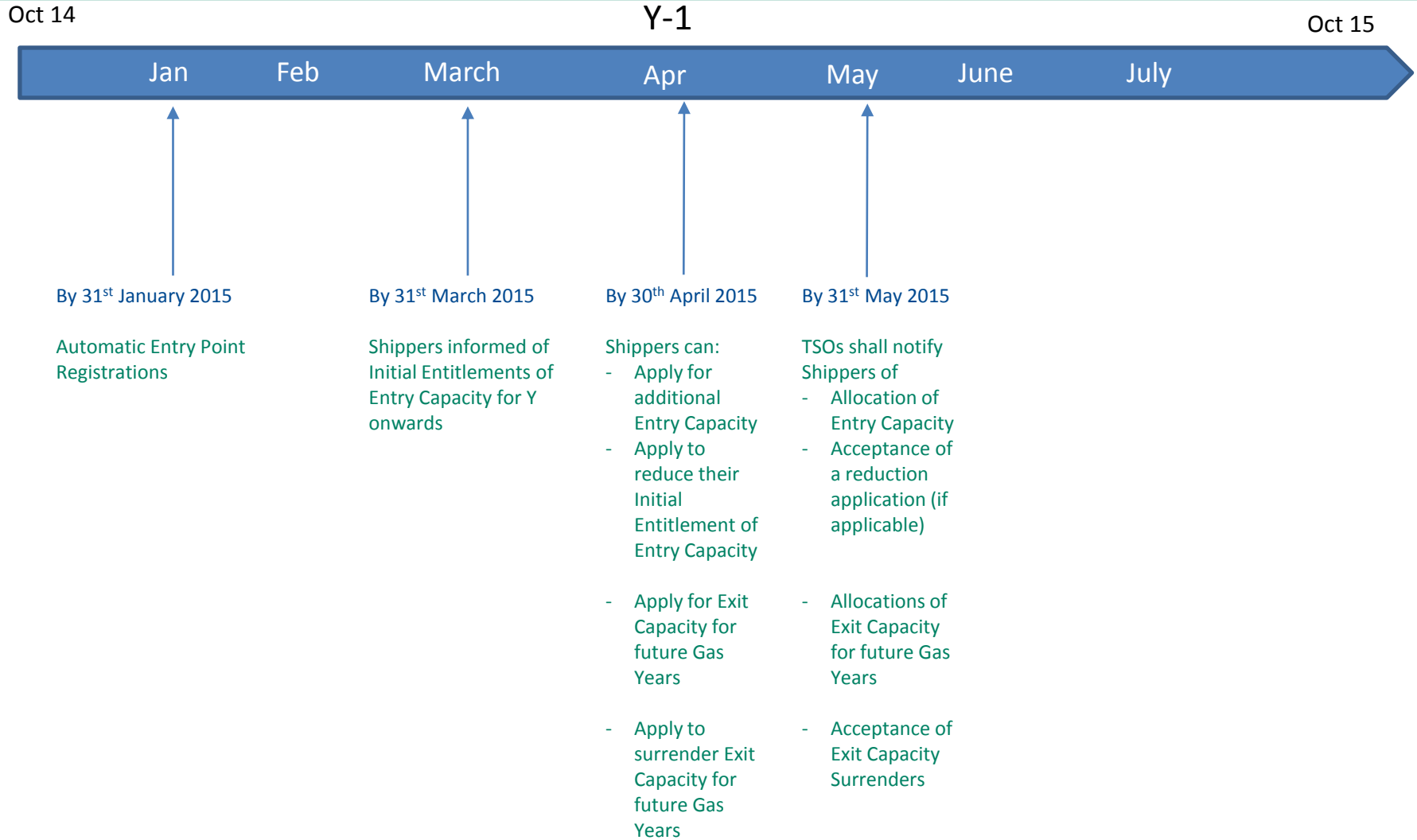
Entry Capacity Transition – Applications and Reductions

- Applications for Entry Capacity for future Gas Years by 30th April 2015
 - Also for month of October 2015 only, if required
- No TSO obligation on the Shippers to book additional Entry Capacity
- Shipper's can apply to reduce part of or all of their Entry Capacity Initial Entitlement
 - by 30th April 2015
- This capacity shall be allocated prior to allocating unsold capacity
- Where it is not possible to allocate the total amount of all such reduction applications, reduction applications shall be accepted in part in unless a Shipper has indicated that it is not willing to reduce part of the amount of its application
- TSOs shall notify Shippers of their allocation of Entry Capacity and if applicable, acceptance of a reduction application, by 31st May 2015

Exit Capacity

- From 1st October existing Firm Capacity will transition to Exit Capacity
- Applications for more Exit Capacity for future Gas Years by 30th April 2015
- Applications to surrender Exit Capacity for future Gas Years by 30th April 2015
- Surrendered capacity will be allocated prior to unsold Exit Capacity
- Notifications of Exit Capacity allocated and accepted surrenders by 31st May 2015

Capacity Transition – Timeline



Example - Shippers

Exit Point	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Exit Point 1 (Distribution)		✓	✓	✓	✓
Exit Point 2 (Distribution)		✓	✓		
Exit Point 3 (Power Station)	✓				

- Shippers, Exit Points and figures are for illustrative purposes only

Example – Exit Capacity Bookings

Exit Point	Exit Point Bookings
Exit Point 1 (Distribution)	20,000
Exit Point 2 (Distribution)	10,000
Exit Point 3 (Power Station)	30,000

Example – Initial Entitlements (Exit Point 1)

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Peak Day Allocation	N/A	10,000	7,000	100	0
% Share	N/A	58%	41%	1%	0%
Pro Rata Share of Existing Booking	N/A	11,696	8,187	117	0

- Shippers are allocated Entry Capacity based on their highest Transmission gas allocation at the Exit Point
- Registered Shippers who have not flowed gas over the assessment period shall not be allocated an initial entitlement but will still be able to apply for Entry Capacity

Example – Initial Entitlements (Exit Point 2)

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Peak Day Allocation	N/A	1,000	3,000	N/A	N/A
% Share	N/A	25%	75%	N/A	N/A
Pro Rata Share of Existing Booking	N/A	2,500	7,500	N/A	N/A

- Shippers are allocated Entry Capacity based on their highest Transmission gas allocation at the Exit Point
- Registered Shippers who have not flowed gas over the assessment period shall not be allocated an initial entitlement but will still be able to apply for Entry Capacity

Example – Initial Entitlements (Exit Point 3)

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Initial Entitlement	30,000	N/A	N/A	N/A	N/A

- Power Stations shall be allocated the full equivalent of their Exit Booking both in terms of quantity and duration

Example – Aggregate Initial Entitlement

Exit Point	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Exit Point 1 (Distribution)	0	11,696	8,187	117	0
Exit Point 2 (Distribution)	0	2,500	7,500	0	0
Exit Point 3 (Power Station)	30,000	0	0	0	0
Total Entry Capacity Initial Entitlement	30,000	14,196	15,687	117	0

- Where a Shipper operates in two Distribution Networks, the aggregate of their Initial Entitlements shall make up their Total Entry Capacity Initial Entitlement

Example – Entry Capacity Requirements

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Entry Capacity Requirements	30,000	10,196	16,687	2,117	500
Entry Capacity Initial Entitlement	30,000	14,196	15,687	117	0
Additional Entry Capacity Required	0	(4,000)	1,000	2,000	500

- The TSOs will not determine Shipper's Entry Capacity Requirements
- In this example Shipper B has determined that it does not require of all its Initial Entitlement
- Shippers C, D and E have determined that they require additional Entry Capacity

Example – Reduction Applications

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Reduction Applications	0	4,000	0	0	0

- Shipper B has the opportunity to apply to reduce the Entry Capacity it has determine it does not require
- The application to reduce is to be submitted to the applicable TSO by 30th April 2015

Example – Entry Capacity Applications

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Entry Capacity Applications	0	0	1,000	2,000	500

- Shippers C, D and E have the opportunity to apply for the additional Entry Capacity they have determined they require
- The applications for additional Entry Capacity are to be submitted to the applicable TSO by 30th April 2015

Example – Available Entry Capacity

Technical Capacity	100,000
Entry Capacity Initial Entitlements	(60,000)
Unsold Entry Capacity	40,000
Initial Entitlements Reduction Applications	4,000
Adjusted Available Entry Capacity	44,000

Example – Entry Capacity Allocation Priority

Priority	Type	Capacity Available
1.	Reduction Applications	4,000
2.	Unsold Entry Capacity	40,000

- Capacity associated with a reduction application shall be allocated prior to allocating unsold capacity

Example – Reduction Applications

Initial Entitlements Reduction Applications	4,000
Entry Capacity Applications	3,500
Amount of Reduction Application Rejected	500

- In this scenario, the full amount of the reduction application cannot be allocated therefore only part of the reduced amount shall be approved

Example – Entry Capacity Allocation Results

	Shipper A	Shipper B	Shipper C	Shipper D	Shipper E
Entry Capacity Requirements	30,000	10,196	16,687	2,117	500
Entry Capacity Initial Entitlement	30,000	14,196	15,687	117	0
Entry Capacity Reduction Approved	0	(3,500)	0	0	0
Entry Capacity Application Approved	0	0	1,000	2,000	500
Total Entry Capacity Allocation	30,000	10,696	16,687	2,117	500
Variance with requirements	0	500*	0	0	0

* Reduction amount not accepted

2. Interim Measures Report

Interim Measures Report

- EU Balancing Regulation: intention that TSOs should aim to develop traded markets within their balancing zone by introducing market based balancing rules
 - TSO acting within this market is seen as the ideal means of buying/selling balancing gas
- In NI, no Shipper - Shipper trading is facilitated within the network yet
- The development of a liquid wholesale market in NI is a long way off
 - May simply be an unrealistic expectation in such a small market
- A trading platform is unlikely to ever be viable in NI
 - Not deliverable in the short time frame required for compliance by October 2015 or, using an option to delay, to 2016
- Balancing Regulation allows 'balancing services' as an alternative where short term wholesale markets will not be able to provide the necessary balancing response
- NI balancing contracts approach meets the criteria for being 'balancing services'
- These would be classified as an 'Interim Measure'

Interim Measures Report

- Balancing Regulation would allow the TSO to trade at an adjacent balancing zone in order to procure balancing gas
- Currently Shippers compete with each other in a tender process to provide NBP-sourced balancing gas
- This may be more competitive than relying solely on the TSO to undertake essentially the same trading activity as those Shippers, but which is not otherwise part of its core skills
- Adopting 'Interim Measures' would permit up to five years, to achieve compliance
- 'Interim Measures' effectively provides for the phased introduction of market based balancing rules
 - By allowing Shippers to have imbalance tolerances, at least initially
- Since NI already has an effective means for procuring balancing gas which satisfies the criteria for being an interim measure, relying on 'balancing services' would be the starting point.
- Interim Measures approach is therefore recommended
 - Best means of meeting the Balancing Regulation objectives to help develop the traded market and minimise the costs of residual balancing in Northern Ireland
- The TSOs are required to produce an Interim Measures Report, consult and submit to UR
- Interim Measures Report to be issued to Shippers in November

3. Nominations and Allocations Business Rules

Nominations

- Nominations Business Rules consultation to be published in November
- Specific workshop to be held in November (Proposed date 18th)
- Business Rules to cover:
 - New concepts: Single and double sided nominations
 - Single sided nominations are for Bundled Capacity
 - New Matching arrangements
 - No longer a requirement for the Moffat Agent
 - Matching rules
 - Processing of Entry nominations
 - Change in nomination timings
 - New EU timings
 - Aligning Entry and Exit timings
 - VRF nominations
 - Trade nominations

Allocations

- Allocations Business Rules consultation to be published in November
- Specific workshop to be held in November (Proposed date 18th)
- Business Rules to cover:
 - Entry Allocation Rules at Interconnection Points
 - OBA, so allocation = nomination in normal circumstances
 - Trade Allocation Rules
 - Exit Allocation Rules
 - Aggregation of Exit Allocations
 - Entry Allocations Transition

4. Upcoming Activities

Upcoming Activities

Consultations	
Subject	Publication
Nominations Business Rules	November
Allocations Business Rules	November
Interim Measures Report	November
Entry Capacity Business Rules	December
Gas Day Business Rules	December

Workshops	
Subject	Meeting Date
Nominations and Allocations Business Rules	18 th November (Proposed)
PRISMA	27 th November