

CAG Operations - overview of consultation document

Industry workshop, 7 Nov. 2008

Background

- Initial Consultation Paper published 21st May
- This consultation is the next stage
- Key sections are:
 - All-island SO functions
 - Structure of the CAG SO
 - CAG Code of Operations

Operations criteria

- Original criteria accepted by respondents:
 - Efficient, Cost effective, Customer friendly, Transparent, Consistent with EU legislation, and Compatible with future EU single gas market
- Criteria to also be emphasised:
 - Stability, certainty and clarity, reflect the needs of customers, also flexibility and market responsiveness
- Independent system operation also important - more than the EU minimum may be required on an all-island basis

Proposed all-island SO functions

- Long-term management of transportation arrangements
- Day-to-day operations of the system, including the hosting & management of a single IT system
- Balancing the system
- Facilitating capacity transfers between network users (using single IT interface)
- Aspects of congestion management
- End of day allocations

Proposed functions to be coordinated with Asset Owners

- Planning and development
 - Maintenance
 - Connections
 - Consolidated market reports
- The role of the CAG SO and the Asset Owners with respect to each of these functions needs further clarification

Functions which Require Further Scoping and Discussion

- Co-ordination of emergencies
- Metering
- Other aspects of congestion management
- Collection and disbursement of transportation charges
- Administering and monitoring gas quality and safety
- Management of financial security policy

Summary of operations structure

Structure of the CAG SO

- Propose not to analyse in more detail the multiple TSO coordination and dual TSO options
- The remaining options are a Single TSO and a Single Service Provider. The Joint Venture is a variation of these options.

Key consultation question

- Which structure for operations delivers the objectives of CAG most effectively?

Figure 1: Overview of Single TSO Option

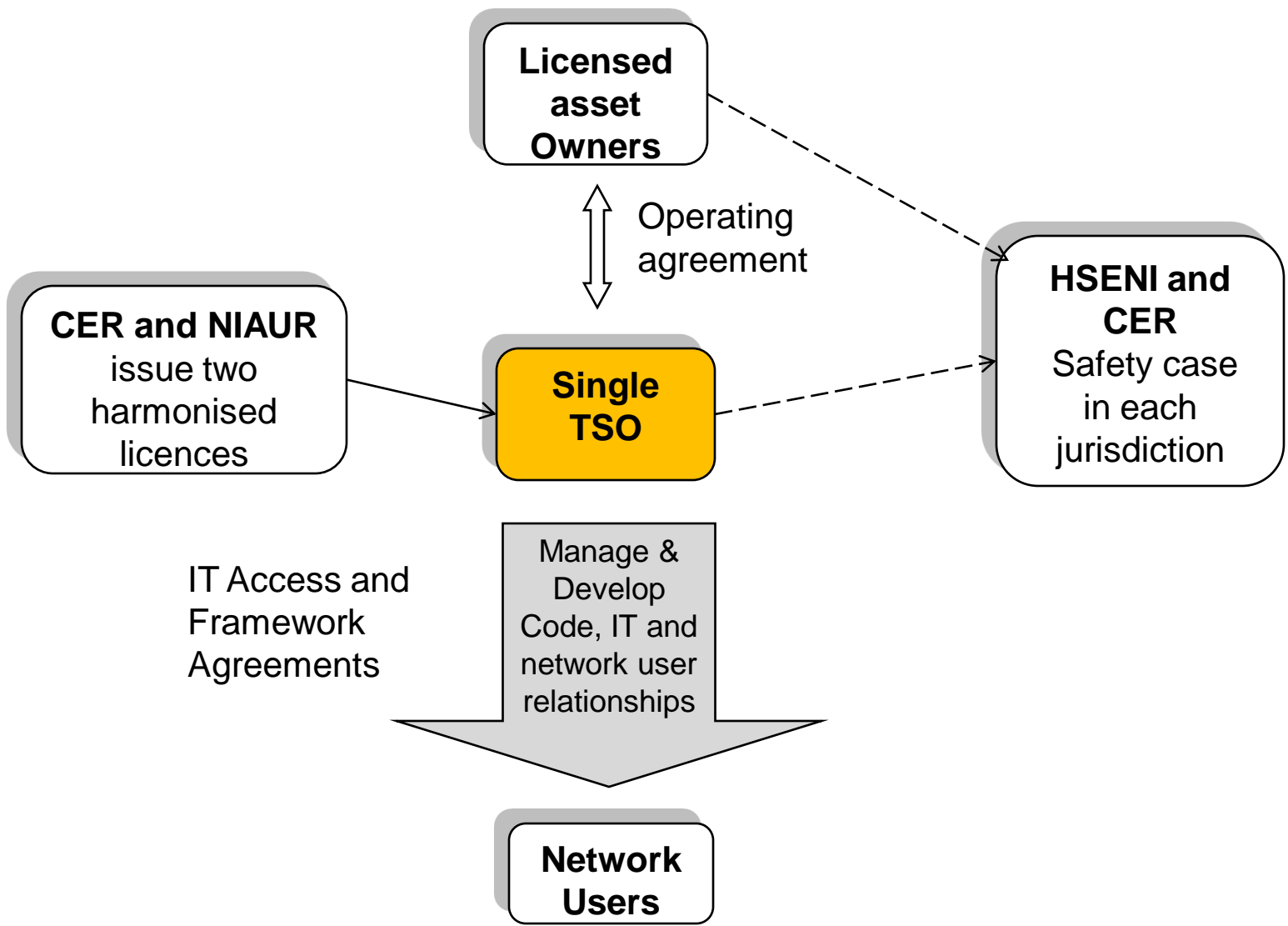


Figure 2: Overview of single TSO (as corporate joint venture)

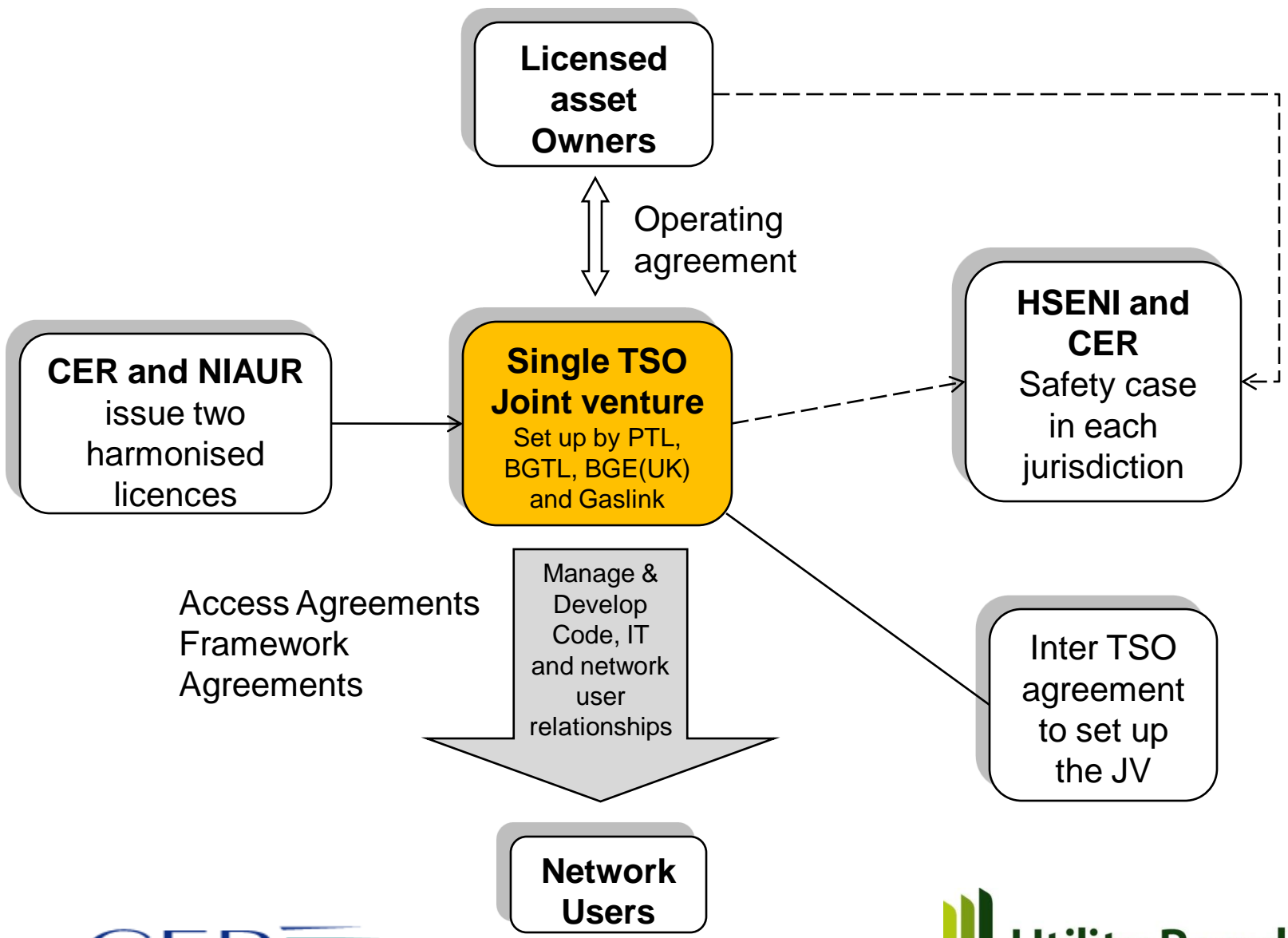
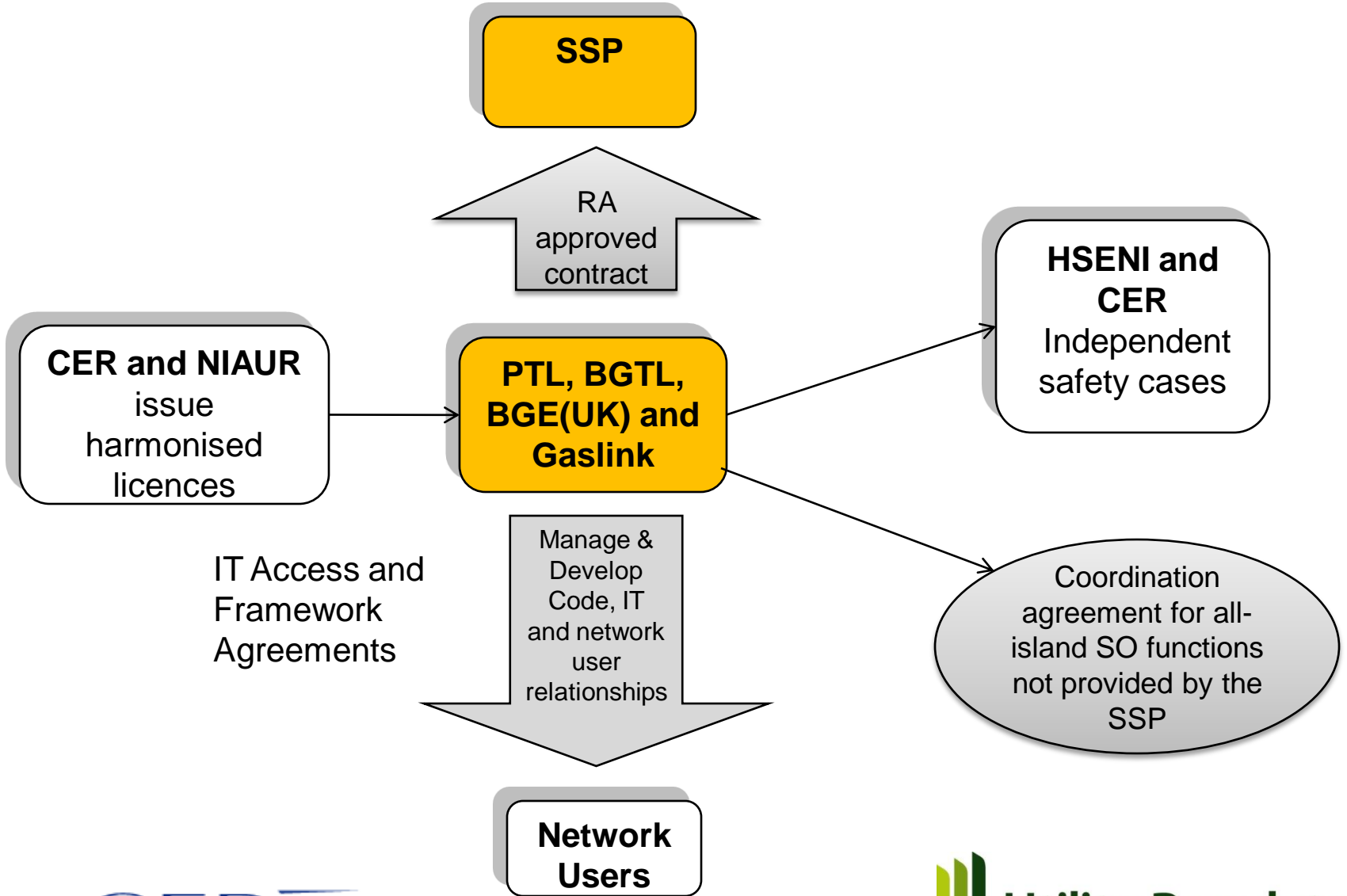


Figure 3: Overview of Single Services Provider Option



Summary of code conclusions

CAG Code of Operations

- A single unified code of operations will be developed for Oct. 2010. This will harmonise arrangements at transmission level only.
- The code will include a carve-out to facilitate independent distribution codes.

EU Third Package - options

Art. (7) Full ownership unbundling - requires each undertaking which owns a transmission system to act as a TSO which must be fully unbundled from production and supply activities

Art. (9) Independent system operator (ISO) - would allow VIU's to retain ownership of their assets but their operation would be given to an ISO, an entity **separate** from the VIU.

Art. (10) Independent Transmission Operator (ITO) - would allow VIU's to retain ownership of their assets which would be operated by an ITO, a separate **company within the VIU** and which must have 'effective decision making rights' within the VIU.

Impact of EU Third Package?

- Cannot yet form a definitive view
- But it is likely that to be third package compliant, Gaslink will need to be restructured as will BGE(UK).
- Implementation of the third package may impact on timing of CAG if the package comes into force after Oct. 2010

Next steps

- Final conclusions on the high level design for CAG operations is expected to be published in January 2009
- Work on licences, codes, and contracts to commence after this date
 - RAs to consider design of working groups necessary to assist implementation
- Implementation of CAG in October 2010.

Questions for discussion

- Which of the functions which require further scoping should be performed on an all-island basis?
- Does an SSP or single TSO deliver the objectives of CAG most effectively?
- How independent should system operation be in gas?