

# Code Modification Forum Agenda

## Wednesday, 16 December 2020

*Time: 10:30*

<u>No.</u>	<u>Item</u>	<u>Duration (minutes)</u>	<u>Time</u>
1.	<i>Review of Minutes from last meeting</i>	5	10:30 - 10:35
2.	<i>Review of Action Items from last meeting</i>	5	10:35 - 10:40
3.	<i>GNI Update re Impact of Covid 19</i>	10	10:40 - 10:50
4.	<i>GNI Scheduled Maintenance Update</i> - <i>Operational Maintenance</i> - <i>IT Maintenance/updates</i>		
5.	<i>Gas Quality – Proposed Changes Update</i>	15	10:50-11:05
6.	<i>Code Modification Proposal A087 – New Framework for Suppliers in PPM Market (For Mention)</i>	5	11:05- 11:10
7.	<i>Code Modification Proposal A096 –Data Sharing Agreement (For Mention)</i>	5	11:10-11:15
8.	<i>Code Modification Proposal A101- Extension of Daily Capacity Booking Window (For Mention)</i>	5	11:15-11:20
9.	<i>Status of Code Modification Proposals</i>	5	11:20-11:25
10	<i>GNI review of Code of Operations – redundant / Capacity provisions - notice of proposed Code Modification/s to transfer Capacity Overrun Charge revenues to allowed revenues and removing the caps on overrun charges(Update)</i>	10	11:25-11:35
11.	<i>Gas and Electricity Interaction</i>	5	11:35-11:40
12.	<i>Brexit Briefing Update</i>	5	11:40- 11:45
13	<i>Article 28 Review of Short Term Tariff Multipliers – GNI Presentation and discussion</i>	30	11:45- 12:15
14	<i>AOB Items ;</i> 1. <i>GNI report on recent late payment of transportation invoices</i> 2. <i>GNI Presentation – Irelands Gas Network -a vital national asset</i> 3. <i>GNI Notice of Access Agreement Consultation</i> 4. <i>Meeting Schedule for 2021</i>	15	12:15- 12:30

# Code Modification Forum

Minutes of Zoom Meeting – 16 December 2020



# Contents

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<b>1</b>	<b>2</b>	
<b>2</b>	<b>Standing Items</b>	<b>3</b>
2.1	Approval of minutes of previous meeting	3
2.2	Review of action items	3
2.3	GNI Update re Impact of Covid 19	3
2.4	GNI Scheduled Maintenance Update	3
2.5	Gas Quality Update	4
<b>3</b>	<b>Code Modification Proposals</b>	<b>4</b>
3.1	A087 – New Framework for Suppliers in PPM Market	4
3.2.	A096 – Data Sharing Agreement/ A096A- Model Clauses to address a Hard Brexit	4
3.3.	A101- Amendment to Code of Operations to facilitate the extension of the Daily Capacity Booking Window	5
3.4.	Status of Code Modification Proposals	5
<b>4</b>	<b>Other Agenda Items</b>	<b>5</b>
4.1	GNI Review of Code of Operations	5
4.2	Gas and Electricity Interaction	6
4.3	Brexit – Customs Returns Update	6
4.4	Any Other Business	8
<b>5</b>	<b>Open CMF actions</b>	<b>9</b>
<b>6</b>	<b>Calendar of meetings for 2021</b>	<b>10</b>
<b>7</b>	<b>Attendees</b>	<b>11</b>

## 2 Standing Items

### 2.1 Approval of minutes of previous meeting

The minutes of the Code Modification Forum (“**CMF**”) Meeting of 21 October 2020 were agreed and approved.

For supporting information, to be read in conjunction with these minutes, please see the slides presented at the 16 December 2020 Zoom Meeting.

### 2.2 Review of action items

The actions from the previous CMF Meeting of 21 October were reviewed and discussed

The Transporter gave an update on open actions as per slide 4 of this [meetings presentation pack](#).

**Action Item C572** would remain open, the Transporter confirmed that it would monitor, on an ongoing basis, the initial 25% Tolerance for RNG Entry Points.

**Action Item C575**, which requires the Transporter to furnish data to the CRU in connection with a review of SPC Settings for CNG Offtakes, would remain open.

Action Items C572 and C572 would remain open.

### 2.3 GNI Update re Impact of Covid 19

The Transporter reported demand on the system was strong with sectors affected by Covid-19 returned or trending to return to normal levels. Field operations were ongoing as normal with planned maintenance back on target. As usual only essential work would be carried out over Christmas period with Industry being notified through the GMARG Forum.

### 2.4 GNI Scheduled Maintenance Update

The Transporter reported that there was no change from its report to the October meeting and referred to Slide 6 which, as with the Slide furnished in October specified the two scheduled maintenance activities for the Gas Year 2020/21. The first scheduled activity was on 19 May 2021 and involved Bellanaboy Station Testing, valve check and validation at Cappagh South and would take one day. The second activity involved ESD testing at the Corrib Terminal on 8 September 2021 and was planned to coincide with annual Corrib

Operator planned maintenance. The Corrib Operator referred to a recent outage at Bellanaboy and the associated remit notice.

## 2.5 Gas Quality Update

The Transporter, referring to Slide 7, gave an update on National Grid's indicative timelines for the UK gas quality consultation process;

- IGEM GQ standard finalised in Q1 2021
- UK Government impact assessment consultation process commences in June 2021 with Parliament amending GSMR Regulations during Q2 2022
- Unified National Code (UNC) process to modify GQ specifications in Network Entry Agreements during Q3 2022
- First wider-spec gas forecast to flow in Q2 2023

The Transporter referred to Slide 8 which gave an update on the Transporter's proposal to lower the CV minimum requirement for biomethane entry points on the Transmission Network. Analysis was being carried out by the Transporter who had also commissioned a report from consultants. The Transporter had requested Industry to work with OEMs to assess possible impacts and some feedback had been received leading to some bilateral meetings. A further update would be presented to the January 2021 CMF Meeting and, in the interim, industry comments / queries were welcome and should be directed to [Yvette.jones@gasnetworks.ie](mailto:Yvette.jones@gasnetworks.ie)

## 3 Code Modification Proposals

### 3.1 A087 – New Framework for Suppliers in PPM Market

The Transporter reported that the legal text was finalised and circulated to the Mailing List. The consequent five-week consultation process was to end on 21 December. The associated Deed of Covenant agreed with the Front Office Service Provider would be circulated.

### 3.2 A096 – Data Sharing Agreement/ A096A- Model Clauses to address a Hard Brexit

The Transporter reported that the consultative review on this Proposal was now completed with all documentation in relation thereto furnished to the CRU for its consideration. The CRU reported that it was intended to close out this Proposal in Q1 2021

### 3.3 A101- Amendment to Code of Operations to facilitate the extension of the Daily Capacity Booking Window

As agreed at the October meeting a virtual Workshop Meeting took place on 17 November. The Transporter stated that the Minutes of this Workshop would be circulated later that week. The CRU reported that it was briefing its section Director in the matter and hoped to finalise its position before the end of January 2021

### 3.4 Status of Code Modification Proposals

The Transporter summarised the present position in relation to Code Modification Proposals. There were now four live current Modification Proposals.

Number	Proposal	Proposer	Status
A087	New Framework for Suppliers in PPM Market	GNI	Live/Implementation process review
A096	Data Sharing Agreement	GNI	Consultation complete/under CRU review
A099	CNG Supply Point Capacity Setting	GNI	In abeyance
A0101	Extension of Daily Exit Capacity Booking Window	ESB	Live/Under review

## 4 Other Agenda Items

### 4.1 GNI Review of Code of Operations

The Transporter reported on its' ongoing review of the Code of Operations. Some of the provisions were no longer relevant and were the subject of now unnecessary systemisation procedures on the Transporter GTMS IT system which presently had over 600 functions. It was intended to remove references to the Inch Storage Facility and the Inventory Storage Product.

The review was starting at Part C (Capacity) and the Transporter referred to two suggested Proposals specified at the last meeting, i.e. a Proposal to transfer Capacity Overrun Charge receipts from the Disbursements Account to the GNI Transportation Account and, a second Proposal to remove the maximum annual cap on overrun charges.

The Transporter had requested Shippers to consider these proposals referring them to their operational/billing sections where relevant stating it would welcome any comments/queries and it intended that, if no adverse reaction was received, it would proceed to initiate and circulate the Proposals (which might be incorporated in one Proposal) in advance of the next meeting.

## **4.2 Gas and Electricity Interaction**

The Transporter referred to Eirgrid recent warning on tightness in the power sector, which was compounded by the closing of two peat-fired generation stations which contributed to the paramount importance of gas-fired stations. The Transporter referred to Slides 16 -18 which focussed on Power Station output through 2020 to date. While wind generated power exceeded gas fired power in the months of March and October in all other months it was exceeded by other power sources.

## **4.3 Brexit – Customs Returns Update**

The Transporter referred to three slides referring to the fact that there was only 15 days until the end of the Transition Period with political negotiations set to continue in the coming week. The Transporter remained confident that that there will be no adverse impact on natural gas flows, even in the absence of a future partnership agreement. The Transporter was prepared for all scenarios, including that of a no deal, and encouraged shippers to do same.

In relation to gas exports from GB to RoI (governed by HRMC) the Fixed Transport Operator (GNI(UK)) will be responsible for completing export declarations. From 2021 entries into the declarant's records will be made over a calendar month and followed by information submitted to HRMC systems via a supplementary declaration to HMRC by the fourth working day of the following month. A decision on Virtual Reverse Flows remained outstanding as was the customs value to be applied to gas movements.

In relation to imports from GB to RoI (governed by Irish Revenue) the customs declaration must be lodged, at the latest, by the time the goods are presented to customs. The importer is responsible using Entry in Declarants Records. This means that Shippers must record relevant information to a customs declaration in their own IT systems. Irish Revenue are applying EIDR processes for Shippers involving monthly declarations (Shippers did not need to obtain AEO status). Revenue had yet to determine VRF treatment but had suggested declarations from exporting Shippers. Gas movements from RoI into N.I. will not be subject to customs declarations under the Northern Ireland Protocol.

A discussion then ensued among participants as to the benchmark customs value on gas movements. The CRU indicated that, in the interest of good governance, this discussion should be removed offline between participating Shipper participants.

#### **4.4 CRU Consultation on TAR NC Art.28 review of Levels of Multipliers, Seasonal Factors and VRF 2021/22**

The Transporter made a presentation on slides 21-38 in relation to the prescribed CRU review of levels of multipliers, seasonal factors and levels of discounts on products (in this case VRF) under Art.28 of the Tariff Network Code. The CRU pre-empted the presentation by stating that it intended to go into consultation early in the new year and if Industry wished to make preliminary submissions, they should be submitted by 6 January next.

In opening its' presentation, the Transporter noted that the statutory criteria for the review were;

1. To facilitate efficient gas trade and competition
2. To promote non-discrimination and avoid cross-subsidisation of other network users
3. To ensure cost reflectivity and minimise volatility

The Transporter referred to the ACER report on levels of multipliers and seasonal factors among EU members taking into account those:

- Utilising a daily within day rate above the average of 2.26 (including Ireland)
- Utilising a daily and within day multiplier of 2.5 or above
- Using seasonal factors
- Using higher within day prices than daily

The Transporter was going to look at four scenarios with each scenario presented with reference to three sectors; 1) Power, 2) Large I&C, and 3) Residential and small I&C;

1. Current multipliers and seasonal factors
2. No seasonality and overall reduction



3. No seasonality and current multipliers
4. Current multipliers and seasonal profile based on probability of peak day calculation

These four scenarios and their implications were illustrated on slides 28-36 and four main points emerged;

- The level and profile of the multipliers has an impact on tariffs and revenue distribution
- The Transporter recognises that the multiplier profile needs to be reviewed and updated
- That the outcome of the review needs to consider the impact on customers and the recovery of costs across different customer groups
- That the Real Day Probable Usage approach has the least impact on tariffs and on the redistribution of revenue recovery amongst customers.

At the conclusion of the presentation Shipper Representatives queried the data on which the scenarios were based. The CRU, which had received all relevant spreadsheets and data indicated that it would decide on what would be disseminated in due course. A Shipper Representative commented that the scenarios seemed to be a bit drastic and the supporting data would have to be available for inspection. A Shipper Representative queried the data for daily multiplier rates across the EU and was informed by the CRU that this was available in the ACER report. Several requests were made by Shippers that the initial submission date was extended past 6 January to which the CRU responded that this deadline was not changing but if Shippers want an extension for extenuating circumstances that they should make their case to the CRU.

#### **4.5 Any Other Business (1) Transportation Invoices – Late Payment**

The Transporter referred to a developing trend of a minority of Shippers being late in paying their transportation invoices. The Transporter wished to issue a gentle reminder to Shippers of their obligation for payment of invoices within specified dates. The Transporter was working with the Shippers in question but wished to remind the meeting that where invoices are not paid in full by the fifth Business Day after a Due Date by a Shipper it can make a Demand on a Shipper's Financial Security Cover as well as further options.

#### **4.1 Any Other Business (2) GNI Presentation – “Ireland's Gas Network – a national asset”**

The Transporter introduced a recent publication promoting the value and importance of the gas network system to Ireland. The link to the document is; [www.gasnetworks.ie/gas-report-2020/](http://www.gasnetworks.ie/gas-report-2020/)

#### **4.1 Any Other Business (3) Access Agreement Consultation**

The Transporter reported this purely procedural consultation relating to the Transporter’s Interconnector Licence with Ofgem. There are no proposed changes to existing connection agreements. Details of the consultation would be uploaded to the Transporter Transparency Portal in due course.

## 5 Open CMF actions

ID	Action	Responsibility	Date Raised	Delivery Date
<b>C572</b>	Transporter to monitor the ongoing basis the adequacy of the initial 25% Tolerance for RNG Entry Points	Transporter	27/3/2019	Ongoing
<b>C575</b>	Transporter to furnish required data to CRU in connection with tariff review in relation to Supply Point Capacity Settings	Transporter/CRU	25/3/2020	Ongoing

## 6 Calendar of meetings for 2020

CMF Date	Location
27 <sup>TH</sup> January 2021 (Wednesday)	Zoom Meeting
24 <sup>th</sup> March 2021 (Wednesday)	Zoom Meeting
16 <sup>th</sup> June 2021 (Wednesday)	Zoom Meeting
18 <sup>th</sup> August 2021 (Wednesday)	Dublin
20 <sup>th</sup> October 2021 (Wednesday)	Dublin
15 <sup>th</sup> December 2021 (Wednesday)	Dublin

## 7 Attendees

	Name	Representing
1	Andrew Kelly	GNI
2	Kieran Quill	GNI
3	Ike Udobi	GNI
4	Doug O'Brien	GNI
5	Brian McGlinchey	Vermillion
6	James Tyrell	ESB
7	Richard Harper	Nephin Energy
8	Dermot O'Kane	Marex Spectron
9	Kirsty Ingham	ESB
10	Bryan Hennessy	Naturgy
11	Kevin Murray	BGE
12	Johnny Byrne	CRU
13	Christina Sykes	Shell
14	David Horan	Aughinish
15	James Tyrell	ESB
16	Keith Deacon	AXPO
17	Paul Barnett	Manx UA

<b>18</b>	Terry Burke	Equinor
<b>19</b>	Mark Phelan	Electric Ireland
<b>20</b>	Sinead Obeng	Gazprom
<b>21</b>	Stephen O'Hare	GMO-NI
<b>22</b>	Diarmuid Murphy	Tynagh
<b>23</b>	Paul Hoey	Electric Ireland
<b>24</b>	Eoin McGurk	BGE
<b>25</b>	Nicolas Lincoln	Nephin
<b>26</b>	Joanna McNeill	GMO-NI
<b>27</b>	Sean McParland	Energia
<b>28</b>	Chris George	Gazprom



Gas  
Networks  
Ireland

# Code Modification Forum

**Wednesday, 16 December 2020**  
**(via Zoom)**

# Agenda

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1. Review of minutes from last meeting
2. Review of open actions
3. GNI Update re Impact of Covid 19
4. Update on Maintenance
5. Gas Quality –Proposed Change Update
6. Code Modification Proposal A087 –New Framework for Suppliers in PPM Market
7. Code Modification Proposal A096- Data Sharing
8. Code Modification Proposal A101- Extension of Daily Exit Capacity Booking Window
9. Status of Code Modification Proposals
10. GNI review of Code of Operations – Proposed Code Modification Proposals
11. Gas and Electricity Interaction
12. Brexit briefing update
13. Art.28 Review of Short Term Tariff Multipliers – GNI Presentation
14. AOB Items
  1. GNI Report on recent late payment of transportation invoices
  2. GNI Presentation – Ireland’s Gas Network – a vital national asset
  3. GNI Notice of Access Agreement Consultation
- 2 15. Scheduled Code Modification Forum Meetings for 2021

# 1. Review of minutes from last meeting

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- Minutes of CMF meeting of 21 October 2020 were issued on 10 December 2020.
- No comments were received



## 2. Review of open actions

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ID	Action	Responsibility	Status	Priority
C572	Transporter to monitor on ongoing basis the adequacy of the initial 25% tolerance for RNG Entry Points	Transporter	Open	Medium
C575	Transporter to furnish required data to CRU in connection with tariff review in connection with tariff review in relation to SPC Settings for CNG Offtakes	Transporter	Open	High

# 3. GNI Update

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- IMPACT OF COVID 19

## 4. 2020/2021 Maintenance Days

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### Maintenance Programme Gas Year 2020/21

Date	Duration	Entry Points	Commentary
19 <sup>th</sup> May 2021	1	Bellanaboy	Station testing, valve check and validations at Cappagh South.
8 <sup>th</sup> Sep 2021	1	Bellanaboy	ESD testing at the Corrib Terminal (will be coordinated with the annual Corrib planned maintenance).

## 5a. Gas Quality – UK Changes –December 2020 Update

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- National Grid have presented industry with their view on timeline:
  - IGEM GQ Standard finalised in Q1 2021
  - Government impact assessment consultation process commences in Jun-21 and UK Parliament amends GSMR Regulations during Q2 2022
  - Unified Network Code (UNC) process to modify GQ specifications in the Network Entry Agreements (NEA) during Q3 2022
  - First wider-specification gas is likely to flow in Q2 2023
  - NG believe Parliament will amend GSMR, but due to potential commercial impact stakeholders may “negotiate” on local implementation during UNC process

## 5b. Gas Quality – Renewable Gas

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- GNI is considering lowering the minimum CV requirement and increasing the maximum allowed for oxygen for biomethane entry points on the Transmission Network
- Current Code of Operations requirements are;
  - CV 39.9 -42.3 MJ/m<sup>3</sup>
  - Oxygen <0.2% (1% for biomethane entry points on the Distribution Network)
- GNI requested Industry to work with OEMs to assess possible impacts
  - Feedback received from some parties
- GNI has held bilateral meetings with a number of Shippers
- Analysis continues by GNI and its consultant
  - More detailed information will be presented at the January Meeting
- In the meantime questions/ comments to [Yvette.jones@gasnetworks.ie](mailto:Yvette.jones@gasnetworks.ie)

## 6. Code Mod A087- New Framework for Suppliers in PPM Market

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- On 21st November, 2018 the CRU issued instruction approving A087 and implementation of a new framework.
- The key change is that rather than GNI procuring and negotiating front office service agreements, suppliers will procure their own front office services as of 1<sup>st</sup> July 2021.
- Working Group, set up under GMARG Terms of Reference, is reviewing the operational and contractual arrangements in advance of the implementation date
- GNI have, at Workgroup Meeting on 23 January, presented their proposed contractual pathway
- The contractual documentation is under review by Workgroup and existing Front Office Service Providers
- The legal drafting for the Code Modification was circulated to the CMF Mailing List on 21 October for review
  - The review period expires on COB on Monday 21 December

## 7. A096 Data Sharing Agreement

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- A096 -Transporter Proposal – To provide for an updated data sharing regime between Transporter and Shippers to comply with provisions of Data Protection Act 2018 (implementing the General Data Protection Regulation (GDPR) (EU) 2016/679) and to reflect the reality of personal data transfers between the Transporter and the Shippers –
- **CONSULTATIVE REVIEW COMPLETED**

# 8. A101 Amendment to Code of Operations to facilitate the extension of the Daily Capacity Booking Window

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Proposed by ESB

Reasons for Proposal;

- Currently the Daily Capacity Booking Window is defined as:
  - *The period commencing at start of the Day which is seven Days prior to the requested Capacity Booking Effective Date specified in a request for Short Term Capacity for a duration of a Day, and ending at 03:00 hours on the requested Capacity Booking Effective Date*
  - Effective Date for Daily Capacity meaning the Day for which the capacity is requested and active
- Shippers have incomplete information of capacity requirements at the Exit Point when the window closes
- The overrun cost of under-booking can be extremely high
  - Even if prudently booking stacks of Annual / Quarterly / Monthly capacity, daily multipliers combined with overrun charges at 4 times Daily Capacity are highly punitive
- Therefore there is a tendency to overbook, which leads to inefficiency
  - Cost inefficiency from wastage – pass-through to end-users
  - Poor quality signals to Transporter



## 8. A101

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- The Proposal was the subject of a Workshop on 17 November and further subsequent submissions were allowed up to 27 November- Minutes of the Workshop are to be circulated
- 4 submissions were received.
- Consultation process now ended

## 9. Status of Code Modification Proposals

Number	Title of Proposal	Proposer	Status
A087	New Framework for Suppliers in PPM Market	GNI	Live/ Implementation process review
A096	Data Sharing Agreement	GNI	Live/Under review
A099	CNG Supply Point Capacity Setting	GNI	In abeyance
A101	Extension of Daily Exit Capacity Booking Window	ESB	Live/Under review

# 10. GNI Review of Code of Operations

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GNI is undertaking a review of the Code of Operations with a view to determining if there is scope to rationalise and/or simplify certain aspects.

The Code and the associated GTMS system have grown organically overtime and are, by any measure, complicated

We have started with Part C –Capacity and have identified two potential areas to target initially:

## **1. Move the monies associated with Capacity overruns from a Disbursements Account into GNI Transportation Revenues Account**

- GNI will not earn any additional revenues under the Revenue Cap
- The incentive to book sufficient capacity does not change
- Monies will be returned to shippers via lower future tariffs
- Monthly billing will be greatly simplified as each shipper holding capacity is issued a monthly credit related to overruns.
- If an overrun is subsequently refunded/cancelled the Disbursements Account has to be resettled

## **2. Remove the maximum annual cap on overrun charges (e.g. Part C –Section 11.3.6(c))**

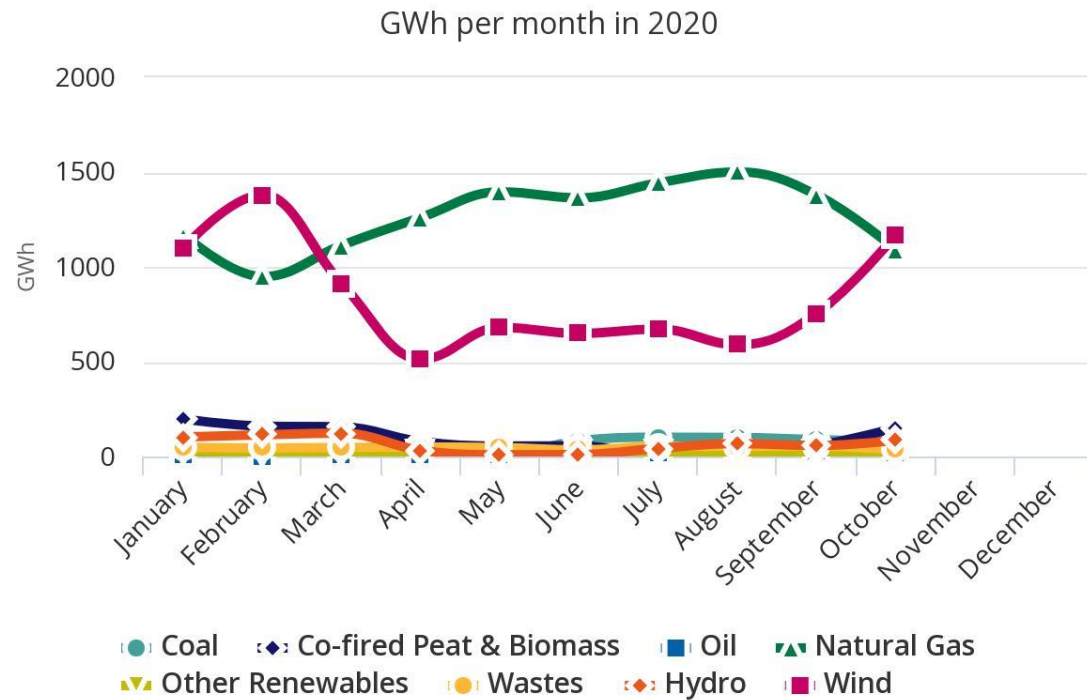
- This cap is a carryover from the tariff regime that existed before short term capacity charges were introduced in 2007
- The cap has never been reached, nor has any shipper come close to the cap
- The IT systemisation is very complex and must be tested each time there is a change that affects the billing of Capacity Charges
- GNI believes that the cap is redundant and should be removed.

**3. GNI will also remove the Inch Storage facility provision from the Code in due course as well as the inventory storage product which is currently suspended.**

# 11. Gas and Electricity Interaction

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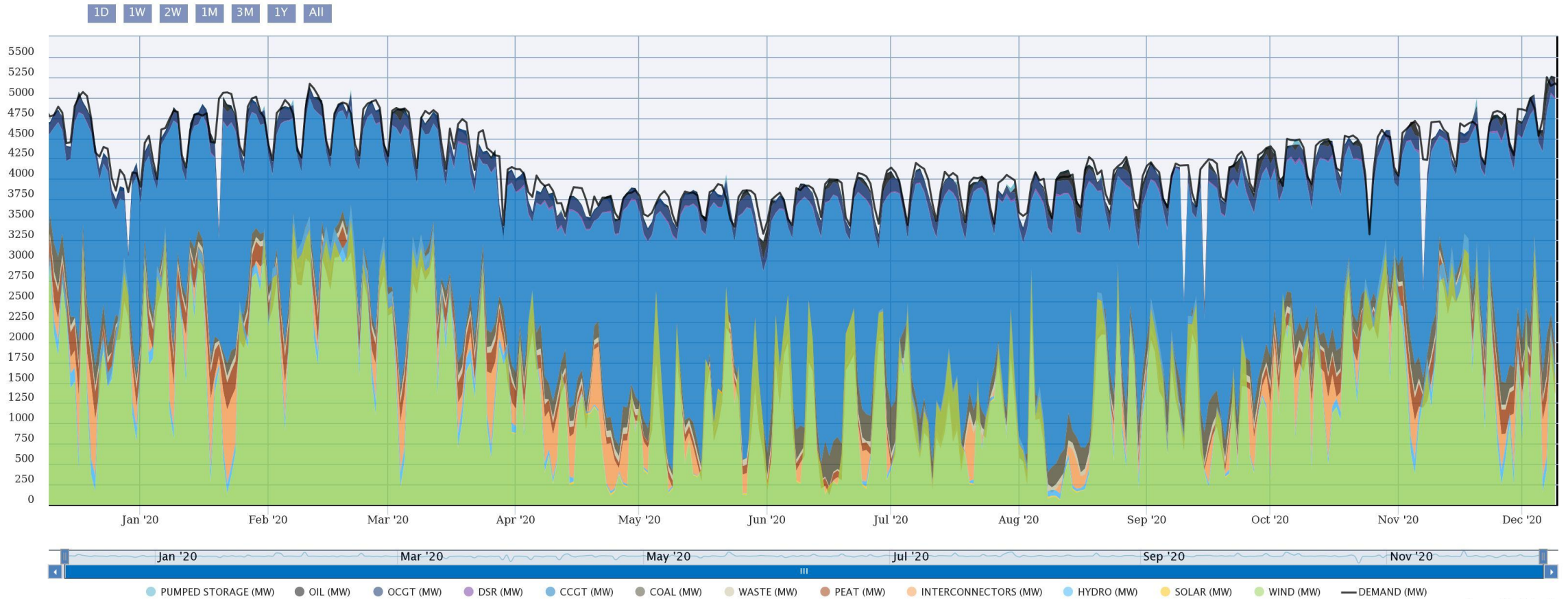
# Focus on Power Stations



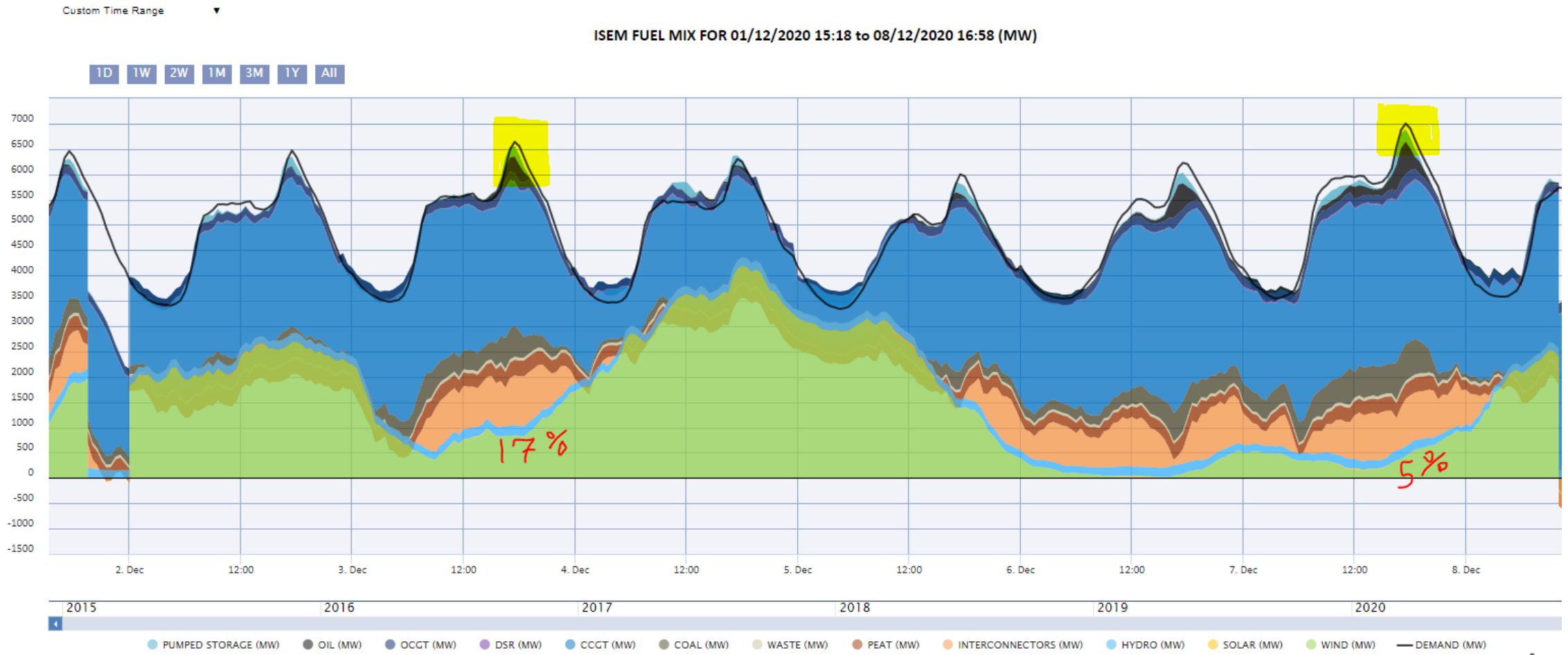
- In March and October power generated from wind in the SEM exceed gas fired generation
- 2 Peat stations have ceased operations during December.

# Focus on Power Stations

ISEM FUEL MIX FOR 09/12/2019 17:05 to 09/12/2020 17:05 (MW)



# Focus on Power Stations



# 12 – Brexit Briefing Update

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# 13. Art.28 Review of Short Term Tariff Multipliers

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Gas  
Networks  
Ireland

# CRU consultation on TAR NC Article 28 review of the Levels of Multipliers, Seasonal Factors and VRF 21/22

Presented: Code Modification Forum 16<sup>th</sup> December 2020

# Contents

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- Introduction/Background
- EU TSO Analysis
- Review Criteria
- Multiplier and Seasonal factor Scenarios
- Relative usage of the Network
- Scenarios Analysis – Revenue Allocation
- Implications for Tariffs
- Impacts of the overall changes
- Summary

# Introduction

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As part of the annual tariff setting process, the CRU is required under Article 28 of the EU TAR NC to review the levels of:

- (i) Multipliers and Seasonal Factors
- (ii) Levels of discounts on products (e.g. VRF)

❑ GNI carried out analysis amongst various scenarios to assist in this review.

❑ This analysis is looking to assess any impacts on the principals of the TAR NC, namely;

- (i) To facilitate efficient gas trade and competition
- (ii) Promoting non-discrimination and avoiding cross-subsidization across network users
- (iii) Ensure cost-reflectivity and minimise volatility

# Background

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The EU TAR NC was first published in 2017, establishing a network code on harmonised tariff structures for gas.

- **Article 13** of the TAR NC sets out the Level of Multipliers and Seasonal factors
- **Article 15** sets out a formulae for the levels of Multipliers and Season factors
  - The current multipliers reflect an adjustment to meet the TAR NC limits
- **Article 28** requires NRAs to review levels of multipliers and seasonal factors, and level of discounts, a part of the tariff setting process.
- Any changes to the Multipliers or seasonal factors will be applied to the 2021/22 tariffs.

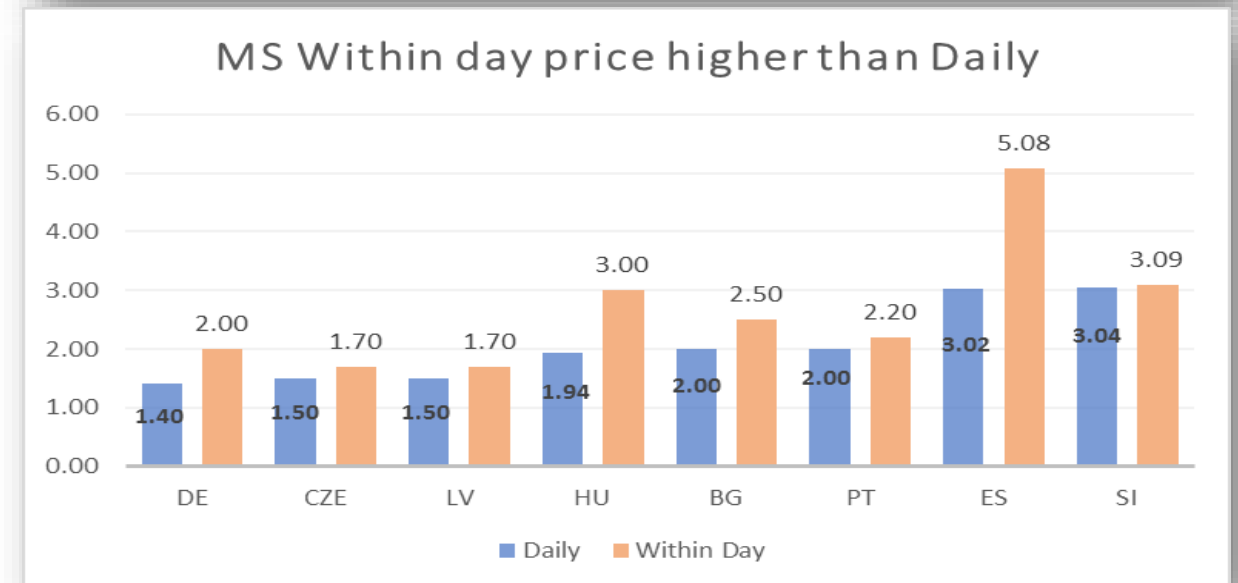
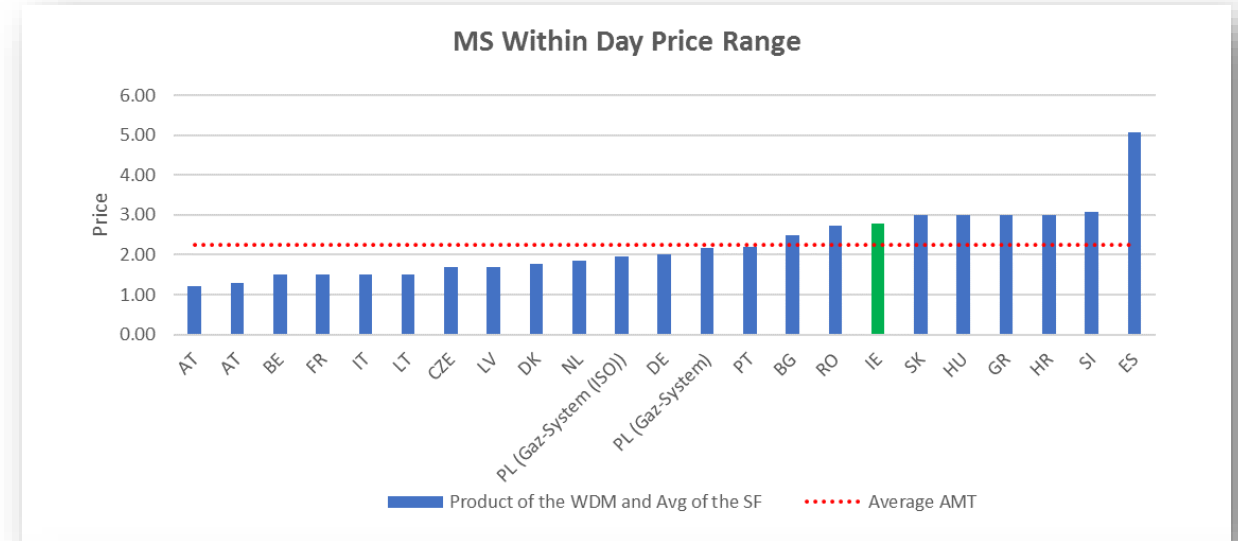
GNI's analysis extends to the impacts on network users, revenue etc, using current versus differing levels of multipliers and seasonal factors.

GNI have completed the following analysis in compliance with Article 28 methodology and the pricing principals as outlined in the TAR NC, in particular cost reflectivity, avoidance of cross-subsidies and non-discrimination

# EU TSO Analysis – Multipliers and Seasonal Factors

As part of the Article 28 consultation with the CRU, GNI reviewed ACER reporting on Levels of Multipliers and Seasonal factors amongst EU member states

- 9 MSs including IE, utilise a daily/within date rate above the average 2.26
- 11 TSOs are reflected as utilising a daily and within day multiplier of 2.5 or above
- 9 EU TSOs currently utilise Seasonal factors
- 8 MSs reflect higher Within day prices than Daily



# Review Criteria

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GNI carried out analysis to measure the current level of multipliers and seasonal factors against other scenarios.

The scenario analysis was carried out on the basis of some of the key principals as set out in the TAR NC.

- (i) Cost reflectivity** – Users of the network paying a tariff that reflects the actual costs incurred in utilisation of the system. It is important to recognise the relative fixed cost nature of operating a gas network and therefore charges to system users should try to reflect this
  
- (ii) Non-discrimination and Cross-subsidisation** – One type of network user should not be discriminated against versus another Overall charges to each sector of users should try to lead to a proportionate outcome that is reasonable across sectors
  
- (ii) Facilitating Gas Trade and efficient competition** – Ensuring appropriate incentivisation and booking behaviours across customer sectors for short-term and long-term capacity

# Multiplier and Seasonal Factor Scenario Analysis

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GNI examined 3 additional scenarios to the current levels of multipliers and Seasonal factors:

- 1) Current multipliers and seasonal Factors
- 2) No seasonality & Overall reduction
- 3) No Seasonality and current Multipliers
- 4) Current multipliers and seasonal profile based on **probability of peak day** calculation

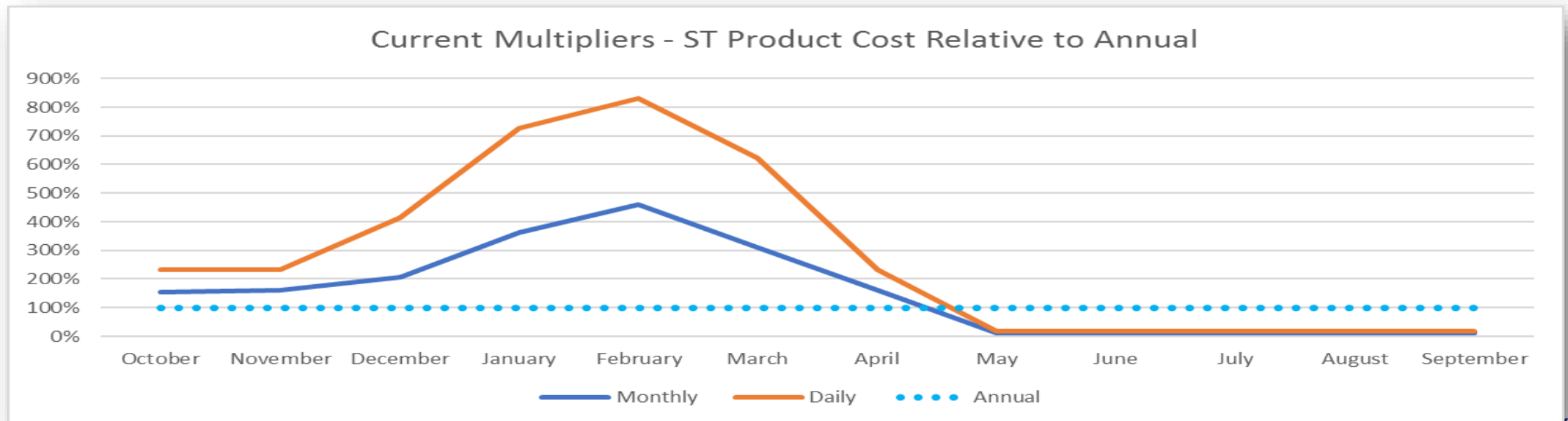
Each scenario is presented to showcase the utilisation of the transmission network through capacity bookings and revenue recovery under each customer sector of:

- I. Power,
- II. Large I&C,
- III. residential & small I&C



# Current Multipliers

- This chart shows the monthly breakdown of the short term products cost relative to Annual product for the current multipliers illustrated below.
- This illustrates that the daily product in February is over 8 times more expensive than Annual while ST products are considerably cheaper than Annual in the summer months at present.



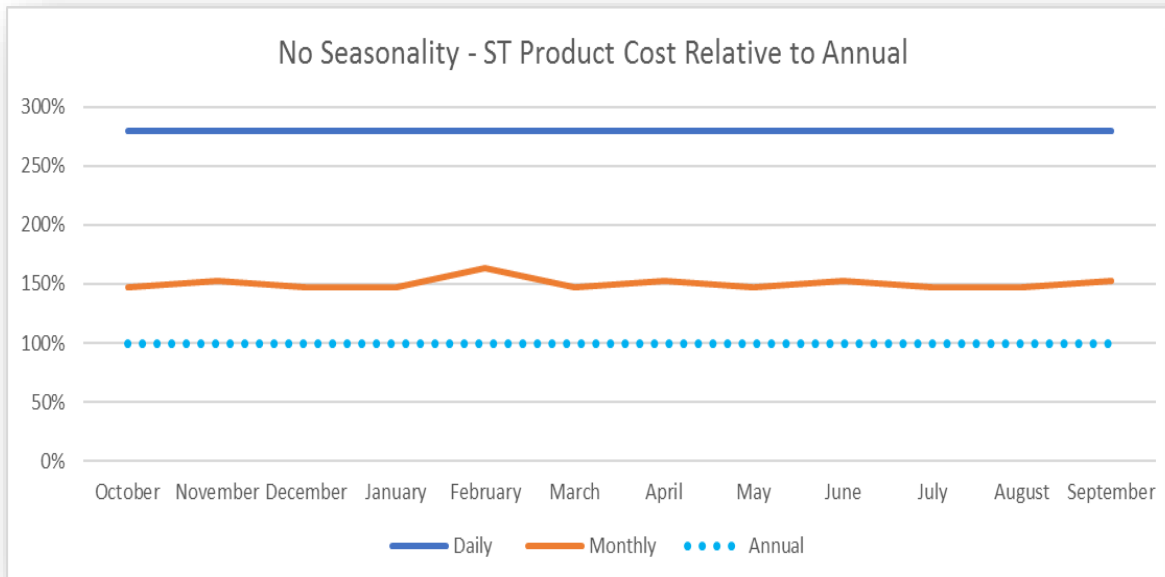
# No Seasonality Scenarios

The following scenarios around no seasonality were examined.

- Remove Seasonality
- Result is cost of short term products is flat across the year

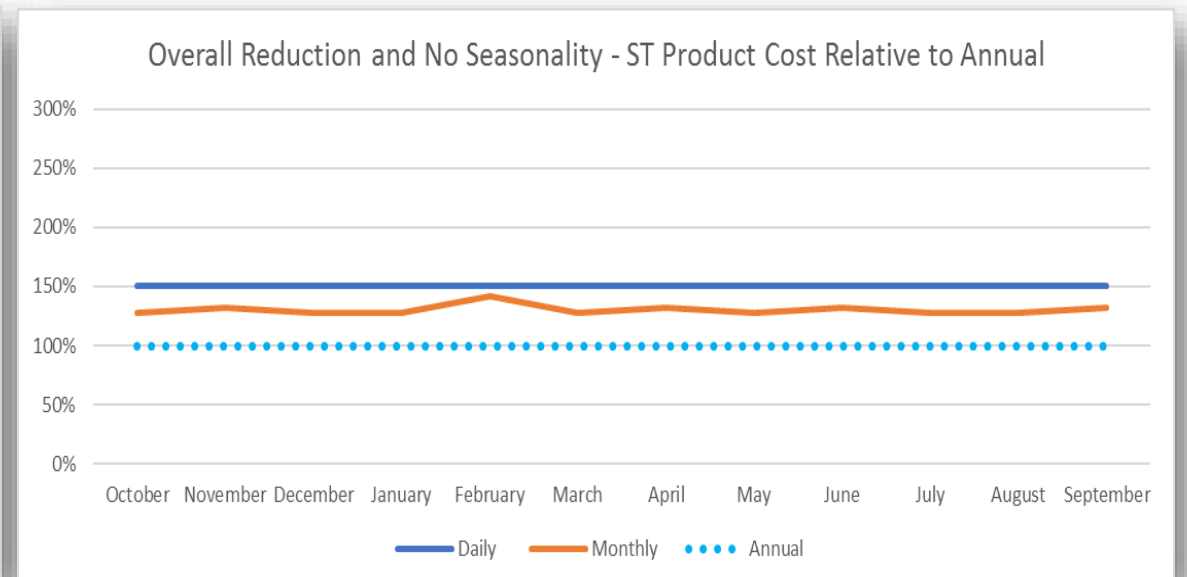
## No Seasonality – Scenario 1:

The ‘no seasonality’ scenario is in line with the overall values of the current multipliers where daily is 2.79 times more expensive and monthly is on average 1.5 times more expensive than Annual.



## No Seasonality – Scenario 2:

The ‘overall reduction and no seasonality’ scenario sees an overall reduction of the current multipliers where daily is 1.5 times more expensive and monthly is on average 1.35 times more expensive than Annual.



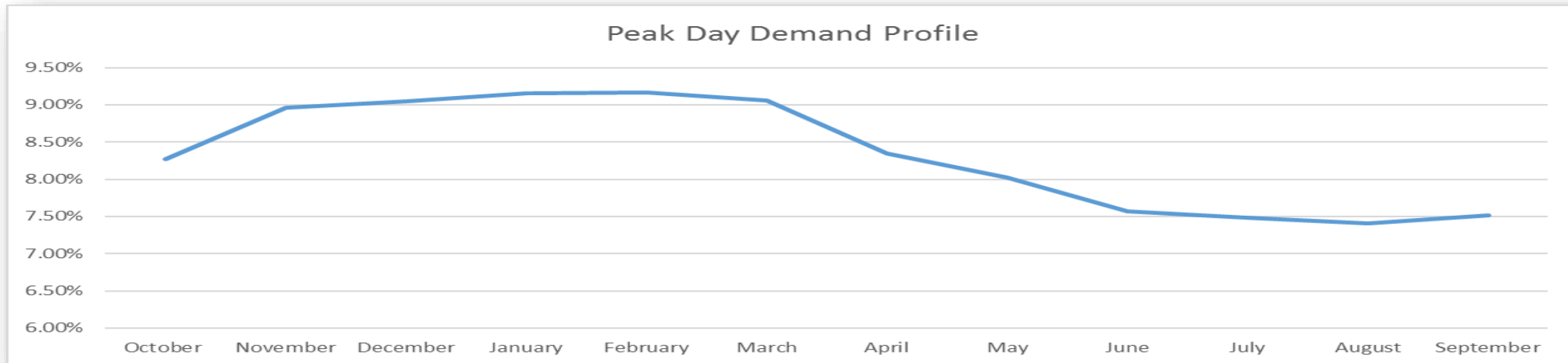
# Peak Day Demand

Scenario reviewed **peak day demand** data per month over 5 years from 15/16 to 19/20

- The electricity market has changed considerably in the last number of years.
- 5 years to reflect the most recent trends in the electricity demand.

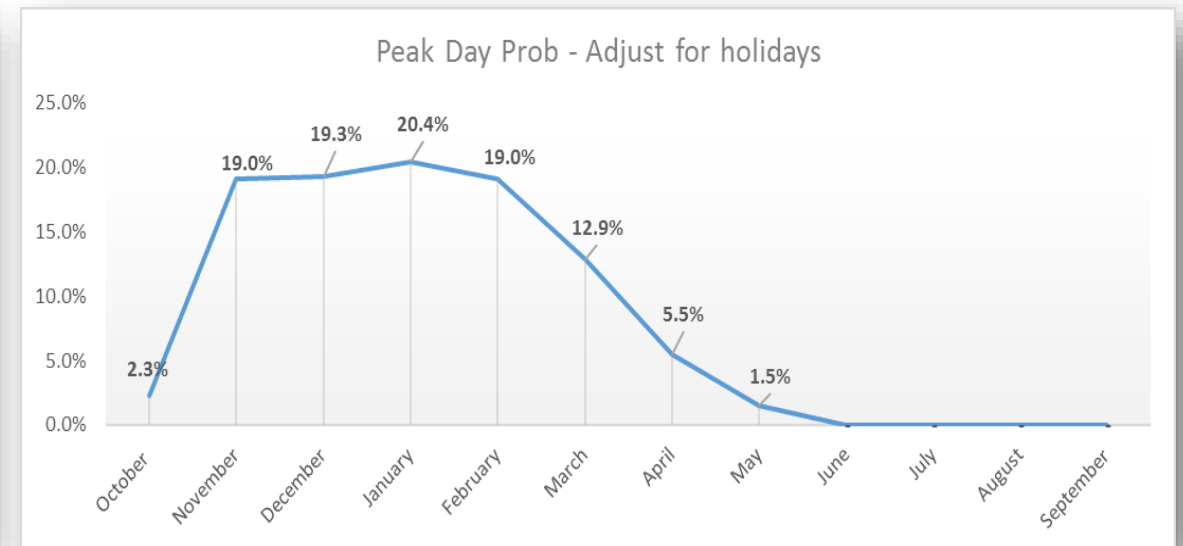
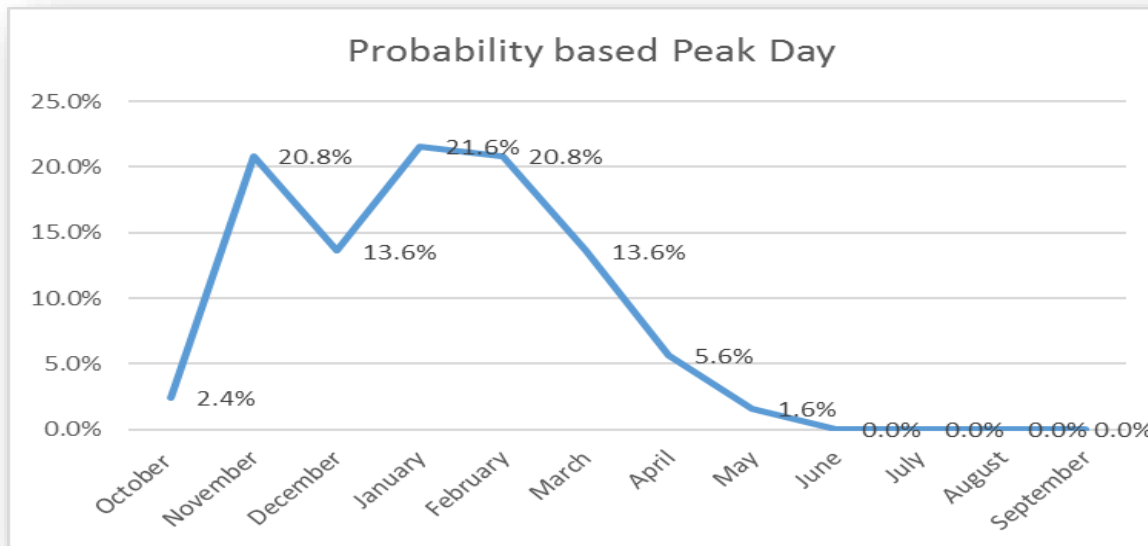
Result:

- Peak day demand highest in Winter and lowest in Summer.
- Relatively flat profile due to higher power in summer and higher NDM in Winter.



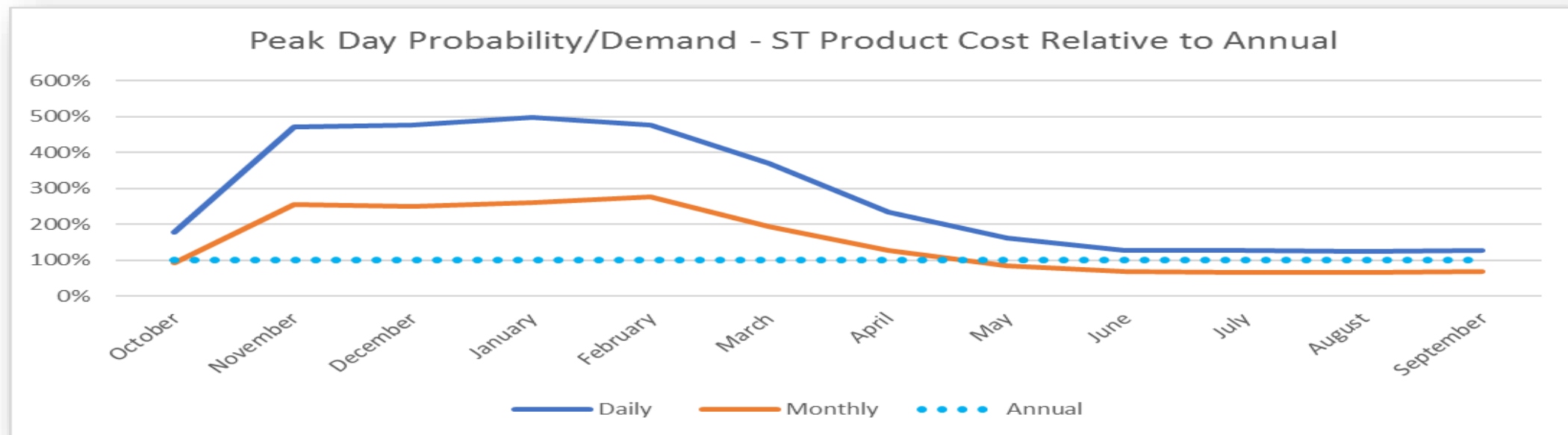
# Peak Day Probability

- Scenario looked at 5 years from 15/16 to 19/20
- Examine top 25 peak days per gas year
- Estimate probability of peak day occurring in each month.
- Adjust data to account for holidays.
- As expected, probability highest in Winter, and 0 from June to September.



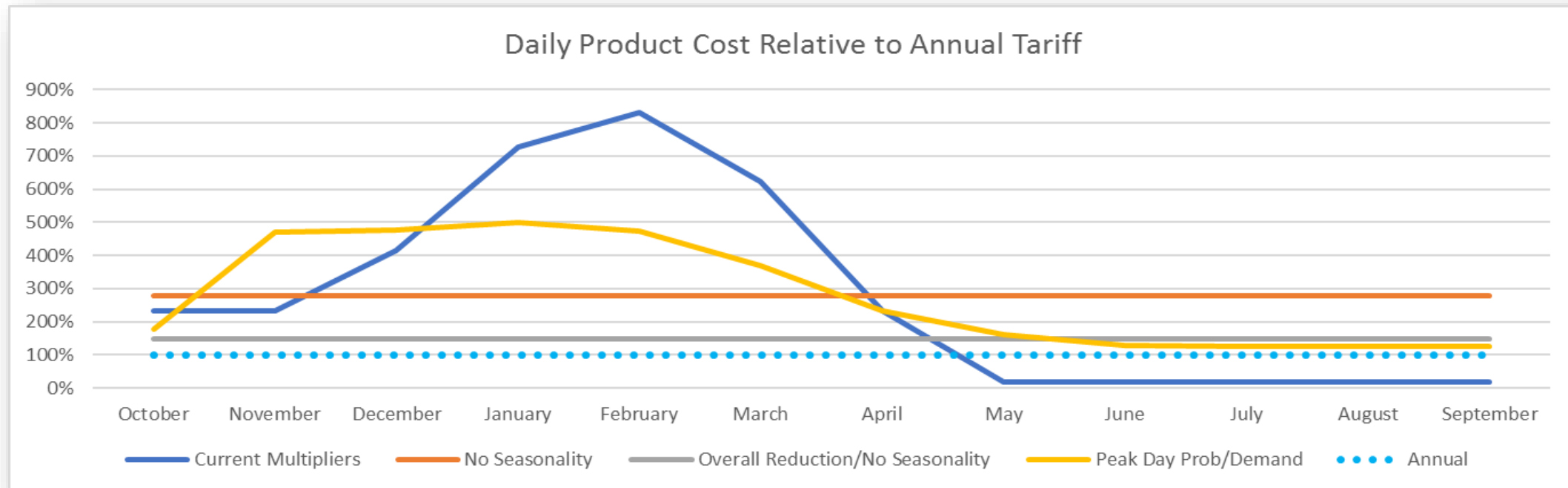
# Derive Peak Day Multiplier Profile

- To account for the relevance of both **peak day demand** and **peak day probability**, an average of both was taken. The overall yearly values of the current multipliers are used in this scenario where daily on average is 2.79 times more expensive and monthly is on average 1.5 times more expensive than Annual.
- Resulting profile still higher in Winter and lower in Summer but flatter than current multiplier profile.
- While daily higher than average in Summer – Monthly is cheaper than average.



# Summary of Scenario Analysis (Daily Product)

- Monthly breakdown of Daily product cost's relative to Annual product for the all scenarios illustrated below.



# Relative Usage of the Gas Network

DEMAND ANALYSIS		
	EXIT Actual throughput utilisation	Actual peak day demand
Power	57.8%	148.36
Large I&C	21.0%	40.81
Residential & SME	21.1%	74.83
CNG	0.02%	-

*This is the peak day demand per sector in 19/20 to illustrate the relativity per sector.*

*This split takes the 19/20 EXIT demand and shows the split between the various sectors.*

- ❑ In the Transmission network, power is the largest sector accounting for c. 58% of demand.
- ❑ The Residential & SME sector has a requirement to book capacity on the Transmission network, for their peak day and security of supply requirements

# Scenario Analysis – Revenue Allocation

20/21 Tariff Demands - % Revenue Allocation (Total TBU)				
	Original Multipliers	No Seasonality	No Seasonality & Overall Reduction	Peak Day Prob/Usage
Exit Cap/Com - <b>Power</b>	34.3%	35.8%	32.0%	33.8%
Exit Cap/Com - <b>Large I&amp;C</b>	10.7%	10.1%	11.0%	10.2%
Exit Cap/Com - <b>Residential / SME</b>	20.8%	21.8%	24.2%	21.7%
Exit Cap/Com - <b>CNG</b>	0.1%	0.1%	0.1%	0.1%
Exit Cap - <b>Shrinkage</b>	1.2%	1.3%	1.4%	1.3%
Entry Cap/Com	33.0%	31.0%	31.3%	33.0%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%

- For the analysis, the 2020/21 Tariff demands were utilised and the multipliers were adjusted for these in each scenario.
- Revenue is recovered from different Customer sectors as outlined on the table.
- Distribution of revenue – As per the table above, the disproportionate of revenue allocated can be clearly seen between the customer sectors of Power, Large I&C and Residential/SME.





# Implications for Tariffs

- Any changes to the levels of Multipliers and Seasonal Factors will impact the Transmission Tariffs and revenue recovery which could generate under/over recovery and lead to Tariff Volatility.
- GNI believe the multipliers & seasonal Factors need to be created so that revenue recovery is connected with the cost drivers of each network user
- The Tariff calculation for each scenario were a result of the Tariff demands adjusted per scenario, utilising the published 20/21 Revenue

Transmission Tariff per scenario and % change versus published 20/21 Tariff >>>>>

	Actual		No Seasonality		No Season & Overall Reduction		Peak Day Prob/Usage	
	2020/21		2020/21		2020/21		2020/21	
Entry Capacity	€	€	% Change	€	% Change	€	% Change	
Bellanaboy	629.99	663.65	5%	696.25	11%	641.77	2%	
Moffat	314.81	348.47	11%	381.07	21%	326.58	4%	
Biogas	106.24	139.90	32%	172.50	62%	118.01	11%	
Gormanston VRF	76.15	103.75	36%	130.48	71%	85.80	13%	
Exit Capacity								
Exit	407.63	414.72	2%	470.45	15%	426.41	5%	
Gormanston	385.37	392.48	2%	447.99	16%	404.11	5%	
Moffat VRF	270.86	274.56	1%	303.42	12%	280.60	4%	
Entry Commodity	0.11	0.11	0%	0.11	0%	0.11	0%	
Exit Commodity	0.24	0.24	0%	0.24	0%	0.24	0%	
UK Delivered Prices	722.44	763.19	6%	851.52	18%	752.99	4%	



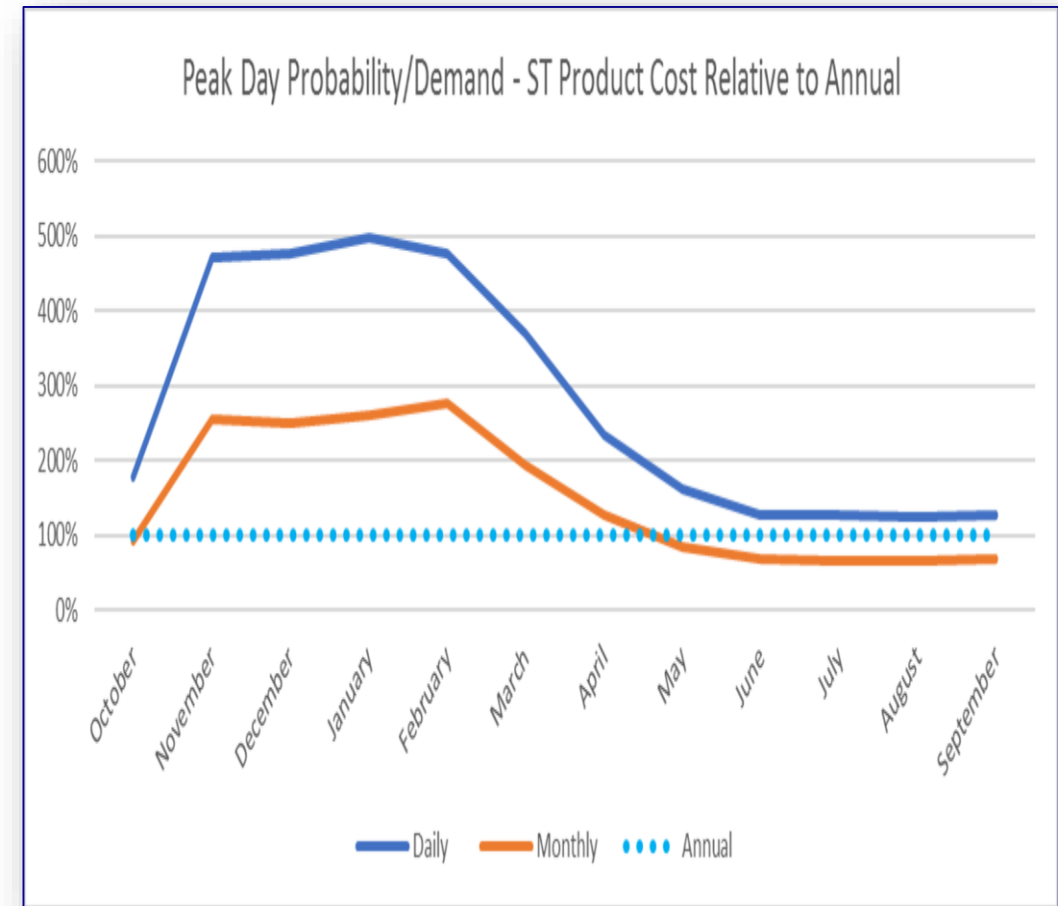
# Impacts of the overall changes:

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- ✓ If a customer operates purely on Daily, the cost of capacity is 2.79 that of annual;
  - The 2.79 is based on a multiplier of 1.5 for monthly.
- ✓ This creates an incentive for booking of monthly and/or annual capacity
- ✓ Reducing the overall level from 2.79 will reduce the incentive and;
  - *Increase Tariffs as shown in previous slide,*
  - *Redistribute revenue recovery amongst the power, residential and SME sectors.*
- ✓ The Residential and SME/I&C sectors will incur higher costs
- ✓ The Power sector will pay less as they have the greatest ability to avail of daily products
- ✓ The overall incentive to trade capacity at Entry would be reduced
- ✓ Higher multipliers in the Summer should result in increased trading on the Trading Platform in Summer

# Overall Summary -

- The level and profile of the multipliers has an impact on tariffs and revenue distribution
- Recognise that the multiplier profile does need to be reviewed and updated
- The outcome of the review needs to consider the impact on customers and the recovery of costs across different customer groups
- The Peak Day Prob/Usage Approach has the least impact on Tariffs and on the redistribution of revenue recovery amongst customers
- Thank you - we would like to take any questions or queries



# 14. AOB (1) - Transportation Invoices – Late Payment

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- Developing trend around late transportation invoice payment this year for a minority of shippers.
  - Intermittent trend but concerning for GNI due to potential working capital impacts
- Gentle reminder for Shippers of their obligations under Code the (Part I Section 11).
  - Due dates set out in Trading & Settlements handbook
- GNI hopes to see an end to this trend and are working with Shippers to ensure that all payments are received on or before the payment due date
- Where Invoices not paid in full by the 5<sup>th</sup> Business Day after the payment due date GNI can make a Demand on a Shipper's Financial Security Cover (amounts  $\geq$  €2500)
- Other options are open to GNI

# 14. AOB Item (2)

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**IRELAND'S GAS NETWORK – a vital national asset**

<https://www.gasnetworks.ie/corporate/company/our-network/irish-gas-market-overview/index.xml>



Gas  
Networks  
Ireland

# Ireland's Gas Network

A vital national asset

December 2020

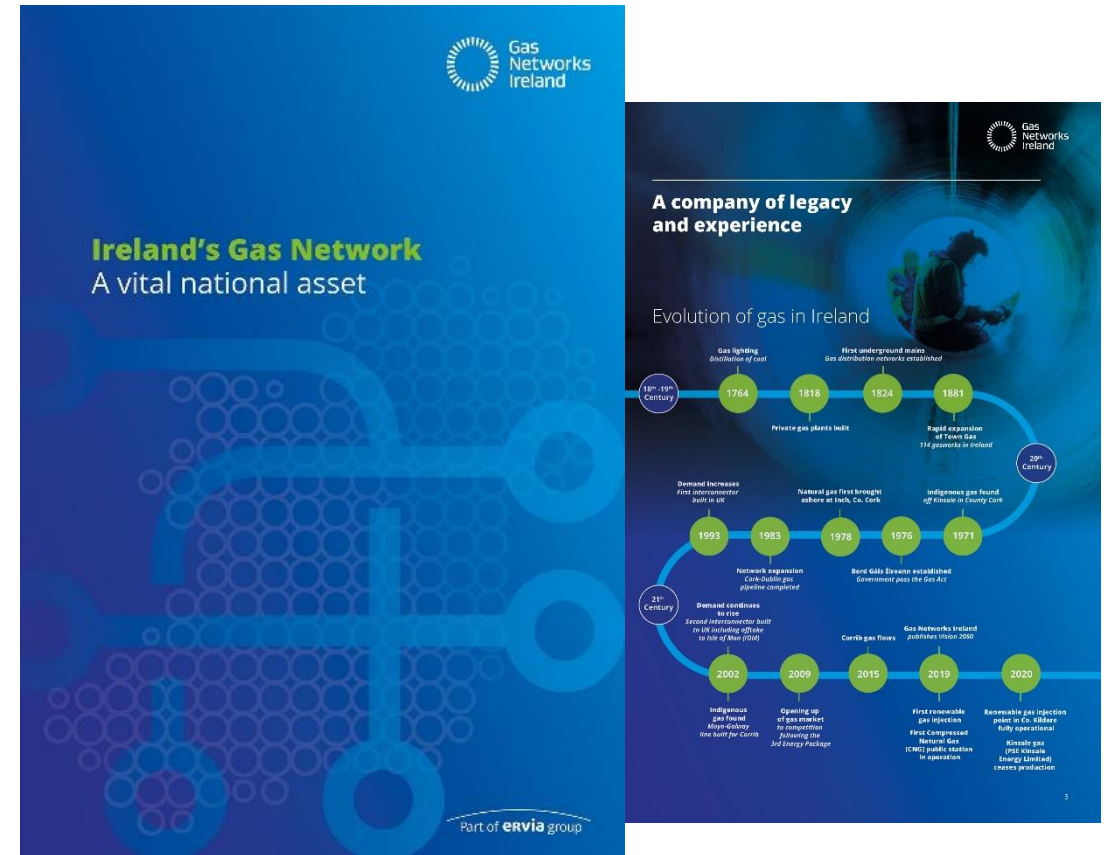
Part of **ervia** group

# Report Overview

GNI has produced a report entitled **'Ireland's Gas Network - A vital national asset'** with the purpose of:

- presenting a 'moment in time' capture of the value and importance of gas network to Ireland;
- sharing a visually-impactful, engaging report, accessible to a wide range of stakeholders;
- detailing via relevant facts and figures, how this **€2.7bn** publicly-owned asset delivers safely and securely for **705,000** Irish businesses and domestic customers.

[www.gasnetworks.ie/gas-report-2020/](http://www.gasnetworks.ie/gas-report-2020/)



# Snapshot of Key Statistics

## Ireland's Gas Network – A national asset of size and scale<sup>1</sup>

### Future focused commitment



Gas Networks Ireland remains committed to evolving practices to ensure we operate sustainably and with full consideration of the changing environment in which we operate.

#### Our ambition includes:

- Managing our **robust sustainability framework** and responding effectively to challenges
- Signatories to the **Low Carbon Pledge** to reduce our carbon footprint by 50% by 2030
- Aiming to have **100% waste recovery** and be a carbon-neutral operation by **2025**
- Striving for a **net positive impact** on biodiversity

#### Accolades

- Winner of the **Working Together for Biodiversity Award** for Biodiversity Enhancement Programme
- Winners of two **Green Awards** in 2020 - 'Green Large Organisation of the Year' and 'Sustainable Energy Achievement'
- Chambers Ireland – InBusiness** magazine Award (CSR) 2019
- Customer Service Team** recognised as 'Centre of Excellence'
- One of only **34 companies** in Ireland to hold the **Business Working Responsibility Mark**



### Gas Networks Ireland Transmission System



#### Delivering Ireland's Energy

**31%**<sup>2</sup> of Ireland's total energy demand

**47%** gas used in Ireland sourced indigenously from Corrib and Kinsale gas fields (2019)



**76.5TWh** transported through the network

**52%**<sup>2</sup> of Ireland's electricity generation

**2** subsea interconnectors

**14,521km pipeline**

- 2,477km high pressure steel transmission pipes
- 12,044km lower pressure polyethylene distribution pipes

#### Delivering for Ireland

**€110m** capital expenditure

**€400m**<sup>3</sup> GDP contribution (2019)

**€470m** revenue

**522** staff directly employed by Gas Networks Ireland

**€2.7bn** publicly-owned, national asset

Aurora Telecom, a division of Gas Networks Ireland, owns and **operates the most modern, carrier grade, backhaul dark fibre network in Ireland**

#### Delivering on Safety



**15,882** responses to calls from the public supported by public safety awareness campaigns

**27 minutes** average call (on site) response time

**ISO standards**

45001, 14001, 9001, 50001 and 55001 achieved

#### Delivering for Customers

**705,000+** customers in 22 counties. With 305 large industrial and commercial customers, including 11 power stations

**537,000** customer contacts handled by our Contact Centre

**116,292** 'Pay As You Go' meters on the network 5,000+ gas credit top-up outlets in Ireland (as of October 2020)

**128,500** 'Change of Supplier' actions facilitated in 2019, affording customers the option to achieve better value.

**61%** total residential consumption accounted for by Dublin postal districts and county 4

**1.1m** gas supplier switches completed since the gas market opened to competition in 2004

**81,242** customer appointments with c.99 percent delivery

**1.8m** meters reads undertaken in 2019

**Delivering benefits** natural gas emits **40%** less CO<sub>2</sub> than coal and **22%** less than oil<sup>5</sup>

#### Delivering for the Future

**21%** expected growth in gas demand between now and 2027

**1st public and private** Compressed Natural Gas (CNG) stations delivered

**1st** hydrogen test site planned

Development of network of public stations on key transport routes in progress.

**1st** renewable Gas injected onto the gas network

**300,000** houses in close proximity to network with potential for connection<sup>6</sup>

#### Delivering on Corporate Responsibility & Sustainability<sup>7</sup>

**Green Awards 2020 Winners**

- Green Large Organisation of the Year
- Sustainable Energy Achievement

**1,460** volunteering hours by staff

**Low Carbon Pledge** committing to 50% carbon footprint reduction by 2030

**40,000** hours of additional education for young people across Ireland supported

**1 of only 34** Irish companies to hold the Business Working Responsibility (BWR) Mark<sup>8</sup>



**92** community projects supported

**€2m** approved for Research and Development projects

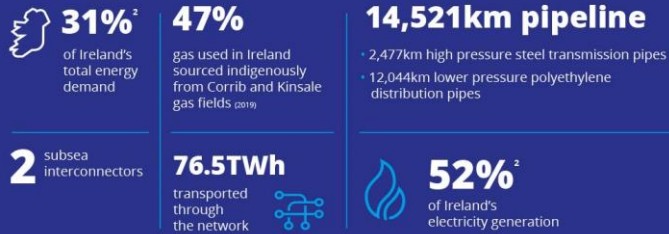
**€141k** donated to support social inclusion in communities across Ireland





# Ireland's Gas Network – Key Deliverables

## Delivering Ireland's energy



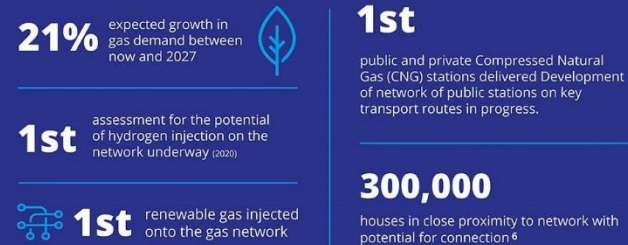
## Delivering for customers



## Delivering on corporate responsibility and sustainability<sup>7</sup>



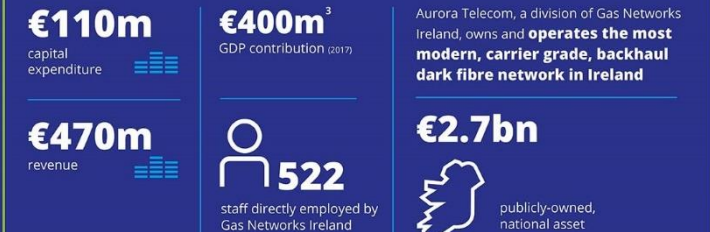
## Delivering for the future



## Delivering on safety



## Delivering for Ireland



# Key Takeaways

The gas network is a **significant contributor to Ireland's economy.**

It **powers Ireland; delivers gas safely and securely 24/7/365; is managed expertly by Gas Networks Ireland; and, it is ready for the future.**

- the gas network delivers significantly for the Irish economy;
- it plays a central role in Ireland's power generation, generating **52% of Ireland's electricity and 31% of our primary energy requirements;**
- with intermittent renewable sources currently unable to deliver without the support of gas, gas and gas network form the backbone of Ireland's energy system;
- the network's reliability and resilience ensures it can help Ireland address climate ambition targets; and,
- the gas network is safe and secure; **it is 'always on', for now and for Ireland's future.**

# AOB item (no 3) Access Agreement Consultation

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- Verbal update

# Code Modification Forum Meetings in 2021

*Next Meeting* →

CMF Dates 2021	Location
27 <sup>th</sup> January 2021 (Wednesday)	Zoom Meeting
24 <sup>th</sup> March 2021 (Wednesday)	Zoom Meeting
16 <sup>th</sup> June 2021 (Wednesday)	Zoom Meeting
18 <sup>th</sup> August 2021 (Wednesday)	Dublin
20 <sup>st</sup> October 2021 (Wednesday)	Dublin
15 <sup>th</sup> December 2021 (Wednesday)	Dublin



Gas  
Networks  
Ireland

Thank you for your participation