CODE OF OPERATIONS MODIFICATION PROPOSAL

MODIFICATION DETAILS				
Modification Number: A099	**Modification Title:** CNG Supply Point Capacity Setting			
Modification Proposer:	**Modification Representative:**	**Modification Representative Contact Details (email address):**	**Date Submitted**:	**Proposed Implementation Date:**
Gas Networks Ireland	Andrew Kelly	marketdevelopment@gasnetworks.ie	26/11/2019	ASAP

Proposal (including rationale):

Currently, CNG in transport and therefore CNG offtake sites are in an early developmental stage in Ireland. Their gas volumes are low and highly variable, particularly during startup phase.
CNG usage is reliant on suitable trucks for which there is a very limited availability with still limited, but increasing, CNG infrastructure. As a result demand is ad-hoc and unpredictable, resulting in extremes of consumption at CNG offtakes. CNG offtakes are relatively unique relative to other offtakes in that they have little or no control over their usage; vehicles will arrive and fill up at a public forecourt on an ad-hoc basis. It would be expected that as the industry develops and the number of vehicles increases that usage patterns would become more predictable. The initial rollout of infrastructure (as envisaged by the GNI Causeway Programme) will take a number of years.

CNG offtakes are classified as Daily Metered (DM) sites, regardless of actual consumption and, under this category, the SPC is set at the highest gas usage day during the review period.
It is now proposed that the SPC setting process for existing and new CNG offtakes will be reset on a three (3) monthly basis, based on a retrospective calculation of the peak seven (7) day rolling daily average for the 3 month review. It is further proposed that a Shipper at CNG Offtakes will not be liable for SPC Overrun Charges or ratcheting. For clarity, this will mean that the SPC is set for a discrete three (3) month period and can result in the SPC for the CNG site being higher or lower than the previous three (3) months.

CNG in transport has been recognized by the Government as one of the means to decarbonizing the transport sector as it has a lower emissions footprint relative to diesel, which is the predominant fuel in the medium and heavy transport sectors. CNG as a transport fuel is subject to lower excise duty[1].
The European Deployment of the Alternative Fuels Infrastructure Directive requires that Ireland establishes an appropriate amount of refueling infrastructure for CNG by 2025.
The adoption by the transport sector of CNG as a fuel of choice will lead to increased throughput on the gas networks, which in turn will contribute to cost recovery and thereby reduce transportation tariffs at an aggregate level for all system users.

If a CNG offtake is subject to an SPC setting based on potentially abnormal single day usage at a site, then it will be impossible to be cost competitive with diesel and the benefits envisaged by the rollout of CNG will not materialize in terms of reducing transportation tariffs and meeting national emissions targets in the transport sector.

Proposed Implementation Date:

It is proposed that this Modification will come into effect as soon as possible.

Proposed section of the Code to be modified:

Amendment to Sections 8.5.5 and 11.6 of Part C (*Capacity*) and the SPC Setting Procedure

MODIFICATION MOTIVATION

Intended Outcome of the Proposed Modification:

The SPC for CNG offtakes would be charged on a representative basis of their ongoing volumes.

Benefits of implementing this Modification:

It will enable CNG Suppliers to forecast costs on a more stable basis. It will also provide a more equitable distribution cost. This will enhance the promotion of the CNG market in ROI, providing a new source of demand on the natural gas network in ROI as well as contributing to emissions reduction in the transport sector.

[1] https://www.gasnetworks.ie/business/natural-gas-in-transport/support-for-cng/

Consequences of not making this Modification:

CNG may become prohibitive as capacity costs are based on the highest consumption day in a year. This would affect the development of the CNG market.

Illustrative Example (Please enter a scenario where the issue and solution are illustrated):

The consumption at CNG Station A for the review period of February, March and April is reviewed during May. The highest 7 day rolling average, for days contained entirely within the review period, will become the SPC for the site with effect from the 1st of June.
The review period of May, June and July is reviewed during August. The highest 7 day rolling average, for days contained entirely within the review period, will become the SPC for the site with effect from the 1st of September.