

CODE OF OPERATIONS MODIFICATION PROPOSAL



MODIFICATION DETAILS				
Modification Number: A101		Modification Title: Amendment to Code of Operations to facilitate the Extension of the Daily Exit Capacity Booking window		
Modification Proposer:	Modification Representative:	Modification Representative Contact Details (email address):	Date Submitted:	Proposed Implementation Date:
ESB GT	Kirsty Ingham / James Tyrrell	Kirsty.ingham@esb.ie James.tyrrell@esb.ie	27/01/20	As soon as practicable. Timeline to be discussed with GNI
Proposal (including rationale):				
To amend the Code of Operations to facilitate the Extension of the Daily Exit Capacity Booking window [to the end of Gas Day D / to the end of Gas Day D+1]				
Proposed Implementation Date:				
TBC – as soon as practicable				
Proposed section of the Code to be modified:				
Part A – Amending existing definitions and additional definitions				
MODIFICATION MOTIVATION				
Intended Outcome of the Proposed Modification:				
Allow Shippers to book Daily Exit Capacity later in order to meet their needs more accurately and therefore more efficiently.				
Benefits of implementing this Modification:				
If able to purchase capacity later – meaning later in the Gas Day (D) or prior to the end of the following Gas Day (D+1) – Shippers will be able better to match Exit capacity holdings to the requirement for final allocation. The variability and unpredictability of power station operating patterns has increased with the introduction of ISEM and this has made making accurate Daily Exit capacity bookings more difficult and inefficient for generators. The current cut off time for Exit capacity purchasing can lead to unnecessary capacity overruns or excess capacity purchase.				
Consequences of not making this Modification:				
Inefficiency in capacity holding; inaccurate signals to the TSO.				
Illustrative Example (Please enter a scenario where the issue and solution are illustrated):				



CODE OF OPERATIONS

NOTICE TO SHIPPERS

PURSUANT TO THE CODE OF OPERATIONS

APPROVAL OF MODIFICATION

CODE MODIFICATION A101 'EXTENSION TO DAILY EXIT CAPACITY BOOKING WINDOW AND REDUCTION IN CAPACITY OVERRUN MULTIPLIERS'

COMMISSION INSTRUCTION

Pursuant to Section 13(1) of the Gas (Interim) (Regulation) Act 2002, the Commission approves Code Modification A101 *Extension to Daily Exit Capacity Booking Window and Reduction in Capacity Overrun Multipliers*.

This modification amends the Code of Operations to extend the end of the booking window for Transmission Daily Exit Capacity from 3am to 4.59am on day 'D', the day on which the Capacity may be used. The Code of Operations is also amended to reduce the Capacity Overrun Multiplier from 4 to 1.5 for the following categories of Transmission Capacity Overrun Charges:

- IP Capacity Overrun Charge
- Entry Capacity Overrun Charge
- Exit Capacity Overrun Charge
- Sub-Sea I/C Offtake Capacity Overrun Charge and
- IP Interruptible Capacity Overrun Charge.

This Modification will affect Part A (Definitions and Interpretation) and Part C (Capacity) of the Code of Operations. The approved modification will come into effect on 1st April 2021.

Signed:

Karen Trant
Director of Energy Networks and Legal

Issue Date: 26th March 2021



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CODE MODIFICATION A101 'EXTENSION TO DAILY EXIT CAPACITY BOOKING WINDOW AND REDUCTION IN CAPACITY OVERRUN MULTIPLIERS'

COMMISSION RATIONALE

Pursuant to Section 13 (1) of the Gas (Interim) (Regulation) Act, 2002, the Commission approves Code Modification A101 *Extension to Daily Exit Capacity Booking Window and Reduction in Capacity Overrun Multipliers*. This approved modification will come into effect on 1 April 2021. The background and rationale for this Code Modification are set out below.

INTRODUCTION

This Code Modification relates to Transmission Daily Exit Capacity booking and Transmission Capacity Overrun Charges.

By way of background, Shippers must book sufficient Entry and Exit Capacity on the Transmission System for the amount of gas they bring into and out of the system. The Capacity Products that Shippers can purchase include annual, quarterly, monthly and daily Capacity. There are different time periods in which the different Capacity Products may be purchased. The booking window for Daily Exit Capacity begins seven days before the day on which the Capacity may be used and ends at 3am the day on which the Capacity may be used.

The total amount of Capacity held by a Shipper at any point in time is termed a Shipper's 'Active Capacity'. Each day that a Shipper submits a nomination for gas transportation services, GNI will allocate a quantity of gas to the Shipper reflective of its confirmed nomination quantity and/or the quantity of gas metered at the point of nomination be it at Entry or Exit. Such Allocation is given in accordance with the rules for Allocation of gas outlined in the Code of Operations. Where, on a day, a Shipper's Allocation of gas at a transmission Entry or Exit Point is in excess of their Active Capacity, that Shipper will incur a financial penalty called a Capacity Overrun Charge. This is to incentivise Shippers to book adequate Capacity for their portfolios.

The Capacity Overrun Charge is based on the daily price of the type of Capacity which the Shipper has 'overrun' (for example, Daily IP Entry Capacity etc). The Capacity Overrun Multiplier is currently

set at a level of 4, meaning that the overrun charge is equal to four times the cost of the relevant Daily Capacity Product, for the overrun amount.

Overrun Charges also apply on the Distribution System at LDM Supply Points and DM Supply Points. NDM Supply Points are not subject to Capacity Overrun charges. This Code Modification relates to Transmission Capacity only.

BACKGROUND TO MODIFICATION

In March 2020, a Shipper proposed a Code Modification to alter the arrangements for Daily Exit Capacity booking and/or overrun charges. The proposal included the following options:

- extending the Daily Exit Capacity booking window from 3am to beyond the end of the Gas Day (i.e. beyond 5am);
- reducing the Exit Capacity Overrun Multiplier from 4 to 1;
- the 'implicit allocation' of Daily Exit Capacity to Shippers by the Transporter, retrospectively, based on their net Capacity requirements given their final allocation.

The core driver of the proposal was to reduce exposure to Capacity Overrun Charges for behaviour that was presented by the Shipper as being outside of Shippers' control. The example of power generators was given where generation dispatch instructions could be received from EirGrid after the booking window had closed. With the booking window closed, Shippers could not adjust their bookings to reflect these instructions.

Shippers submitted comments on the proposal to the CRU and they were broadly supportive of the proposal, though there were differing preferences as to what aspects of the options should be adopted.

In November 2020 a dedicated teleconference was held in relation to the proposal at which the CRU gave its view on the options put forward. At the teleconference, the CRU expressed its concern that some of the options put forward would involve fundamental changes to the established Capacity booking regime - in particular, moving away from the requirement for Shippers to actively book Capacity before the end of the Gas Day. Such a fundamental change presents risks of unintended consequences. The CRU put forward an alternative proposal for consideration and several Shippers submitted comments on that proposal following the teleconference. The alternative proposal was designed to be targeted, to avoid fundamental change, and to reduce the risk of unintended consequences. The present Modification (as detailed in the next section), which is approved by the CRU, is in line with that alternative proposal.

BRIEF OUTLINE OF MODIFICATION

Firstly, this approved Modification will amend the Code of Operations to extend the end of the booking window for Daily Exit Capacity from 3am to 4.59am on day 'D', the day on which the Capacity may be used.

Secondly, this Modification will amend the Code of Operations to reduce the Capacity Overrun Multiplier from 4 to 1.5 for the following five categories of transmission Capacity Overrun Charges:

- IP Capacity Overrun Charge;
- Entry Capacity Overrun Charge;
- Exit Capacity Overrun Charge;

- Sub-Sea I/C Offtake Capacity Overrun Charge; and
- IP Interruptible Capacity Overrun Charge.

For the above categories, the Capacity Overrun Charge will thus be reduced from 4 times to 1.5 times the cost of Daily Capacity.

REASONS FOR APPROVAL OF MODIFICATION

As noted above, there is a well-established system for the booking of Capacity on the Transmission System. The CRU considers that the options put forward in the original A101 proposal would involve fundamental changes to this system, entailing the risk of unintended consequences. In particular, the CRU is concerned that some of the options put forward would greatly reduce or remove the incentive for Shippers to accurately book Capacity in advance of the end of the Gas Day. The CRU does not consider it appropriate therefore to implement a system involving, for instance, implicit allocation or the booking of Capacity after the end of the Gas Day.

Notwithstanding this, having considered the matter and reviewed the submissions of Shippers, the CRU is of the opinion that some adjustments to the Capacity booking and overruns regime are merited. The changes are intended to provide greater flexibility to Shippers, which may increase efficiency in the market, and to ensure that Capacity Overrun Charges are not unduly penal. Importantly, these adjustments remain within the bounds of the established framework, thus reducing the risk of unintended consequences. The adjustments are:

- ❖ Extending the Daily Exit Capacity Booking Window to 4:59 am, and;
- ❖ Reducing the Capacity Overrun Multiplier from 4 to 1.5 for specific categories of transmission Capacity Overrun Charges.

Extending the booking window

The CRU has reviewed Shippers' past booking behaviour. The vast majority of overruns have been primarily caused by Shippers LDM bookings. Shippers to LDM customers are in receipt of Allocation information throughout the day (each hour). Currently, with the Daily Exit Capacity Booking Window ending at 3am, there is Allocation information being received that cannot be reflected in the Shippers' bookings for these customers. The CRU notes that an extension of the end of the Daily Exit Capacity Booking Window (to 4.59am) will provide Shippers more time in which to book Capacity and use, for example, this additional Allocation information in their bookings.

The CRU notes the request made by one Shipper that the window for booking Daily Entry Capacity also be extended to 4.59am. In relation to that point, the CRU is of the view that potential changes to Entry Capacity booking windows would be better assessed as part of a separate Code Modification proposal. This would allow for all the potential impacts of such changes, especially as between Domestic and IP Entry Points, to be properly considered.

Capacity Overrun Multiplier

Shippers are subject to Capacity Overrun Multipliers that are designed to incentivise good booking behaviour. Over the years, Overrun Multipliers have been changed. Most recently, in 2019, the multiplier was reduced from 8 to 4, on the back of improved behaviour. Since then, booking behaviour has not significantly changed, with analysis carried out by GNI indicating that there was no adverse change in Capacity Overrun levels following that reduction. That analysis indicates that the Overruns continue to be primarily linked to bookings for LDM customers, in particular for power

generators. This may speak to the limited ability of generators to adjust their Daily Exit Capacity Bookings on the foot of dispatch instructions from the electricity TSO (as presented by the Shipper who initially tabled the proposals).

Based on GNI analysis, the CRU considers that a reduction in the Capacity Overrun Multiplier can be made without undue risk of an adverse impact on Capacity booking behaviour. The CRU considers that a multiplier level of 1.5 is appropriate at this time and should provide an adequate incentive for Shippers to book Capacity accurately in advance of the end of the Gas Day, without being overly penal. However, the CRU would note that it may make an adjustment to the level of the Multiplier again in the future, if this is necessary to incentivise good booking behaviour. In reaching such a decision, the CRU would have regard to Capacity booking behaviour generally, Capacity Overrun levels, and any other factor it deems relevant.

As such, the CRU requests that GNI monitor the impact of this Code Modification after it comes into effect and provide an update to the CRU after a period of one year. The CRU would welcome further engagement with the Code Modification Forum in relation to the areas that warrant particular attention as part of this monitoring, but considers that the following areas should be captured:

- Impacts on Capacity Overrun levels;
- Impacts on Capacity booking behaviour generally;
- Any distortive effects.

Issue date:

26th March 2021

CODE MODIFICATION A101

EXTENSION OF DAILY CAPACITY BOOKING WINDOW

and to amend

THE MULTIPLIER FOR CATEGORIES OF CAPACITY OVERRUN CHARGES

1. Part A (*Definitions and Interpretation*) shall be amended as follows:

The current definition of Daily Capacity Booking Window shall be amended as follows:

“**Daily Capacity Booking Window**” means 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:

- (a) 03:00 hours on the requested Capacity Booking Effective Date in respect of Daily Entry Capacity;
- (b) 04:59 hours on the requested Capacity Booking Effective Date in respect of Daily Exit Capacity.”

2. Part C (*Capacity*) shall be amended as follows:

In the formula for calculation of each of:

- (a) the IP Entry Capacity Overrun Charge as contained in Section 11.3.3(b)
- (b) the Entry Capacity Overrun Charge as contained in Section 11.3.6(b);
- (c) the Exit Capacity Overrun Charge as contained in Section 11.4.5(b);
- (d) the Sub-Sea I/C Offtake Capacity Overrun charge in section 11.4.5(e); and
- (e) the IP Interruptible Capacity Overrun Charge in section 11.5.5

the reference to OM = 4 shall be amended to refer to OM = 1.5.