

# CODE OF OPERATIONS MODIFICATION PROPOSAL



MODIFICATION DETAILS				
<b>Modification Number:</b> A102		<b>Modification Title:</b> Amend Code of Operations to enable the Transporter procure Shrinkage Gas on a Trading Platform		
<b>Modification Proposer:</b>	<b>Modification Representative:</b>	<b>Modification Representative Contact Details (email address):</b>	<b>Date Submitted:</b>	<b>Proposed Implementation Date:</b>
Gas Networks Ireland	Andrew Kelly	Andrew.kelly@gasnetworks.ie	06/05/2021	01/06/2020
<b>Proposal (including rationale):</b>				
<p>The modification will amend the Code of Operations to allow the Transporter to procure its Shrinkage Gas requirements via the Marex Spectron Trading Platform.</p> <p>During late 2019 and early 2020, at the request of many industry participants, the Transporter undertook a review of its strategy with regard to the procurement of Shrinkage. Historically, the Transporter has procured Shrinkage via a single source contract for variable volumes which delivery price set relative to the UK SAP for a gas day. The delivery point for the Shrinkage has always been Moffat.</p> <p>With the development of the Marex Spectron Trading Platform and the subsequent transition by the TSO to trading its imbalance and stock gas requirements on the Platform, many Shipper representatives have requested that the Transporter would also source its Shrinkage requirements on the Platform. The Transporter, via the Code Modification Forum, requested that Shippers would provide their views in writing as to whether the Transporter should continue with its existing contract strategy or transition to the Trading Platform. Shipper responses were strongly supportive and there was good discussion at the Code Modification Forum Meeting held in January 2020 <a href="https://www.gasnetworks.ie/corporate/gas-regulation/service-for-suppliers/code-of-operations/code-modifications/code-modification-forum-meetings/2020_cmf_meetings/index.xml">https://www.gasnetworks.ie/corporate/gas-regulation/service-for-suppliers/code-of-operations/code-modifications/code-modification-forum-meetings/2020_cmf_meetings/index.xml</a></p> <p>The Transporter undertook to examine the logistics and associated risks of transitioning to the Platform and to discuss same with the CRU. Having done so, and with the approval of the CRU, the Transporter therefore proposes this modification to the Code of Operations</p>				
<b>Proposed Implementation Date:</b>				
1/06/2020				
<b>Proposed section of the Code to be modified:</b>				
Section 2.3 of Part E ( <i>Balancing/Shrinkage</i> )				
MODIFICATION MOTIVATION				
<b>Intended Outcome of the Proposed Modification:</b>				
<p>To allow GNI procure Shrinkage Gas from Shippers at market competitive prices on the gas trading platform. Delivery of the 1<sup>st</sup> volumes of Shrinkage Gas sourced via the Platform would be the 1<sup>st</sup> of October 2020 with the 1<sup>st</sup> volumes being secured likely in early to mid-June 2020 in advance of the annual Capacity Auctions for Moffat IP Capacity.</p>				
<b>Benefits of implementing this Modification:</b>				
<p>GNI will be able to procure its Shrinkage Gas requirements on the gas trading platform will allow all Shippers, who have counterparty trading arrangements with the Transporter, the opportunity to sell gas to GN at market competitive prices. The contractual arrangements are already in place, being underpinned by the industry agreed IBP 2015 Terms and Conditions and the Trading Platform Transactions Agreement which has been executed by the Transporter with 13 different counterparties allowing them to sell gas to the Transporter.</p> <p>The use of the Trading Platform will negate the need to run an annual public sector tender process, which by its nature, is time consuming, complicated and costly for both the Transporter to run and for Shippers to participate in.</p> <p>By allowing Shippers to compete for smaller volumes rather than the full volumes required by the Transporter, the potential for competition by more Shippers is increased and therefore the likelihood of better pricing for the Transporter increases.</p>				
<b>Consequences of not making this Modification:</b>				
<p>The Code of Operations will not be amended to enable GNI procure Shrinkage Gas on the gas trading platform and the benefits highlighted will not be realized.</p>				
<b>Illustrative Example (Please enter a scenario where the issue and solution are illustrated):</b>				





**CODE OF OPERATIONS**

**NOTICE TO SHIPPERS**

**PURSUANT TO THE CODE OF OPERATIONS**

**APPROVAL OF MODIFICATION**

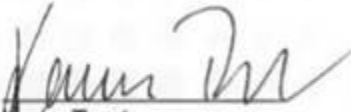
**CODE MODIFICATION A102 'AMENDMENT TO CODE OF OPERATIONS TO ENABLE THE  
TRANSPORTER PROCURE SHRINKAGE GAS ON A TRADING PLATFORM'**

**COMMISSION INSTRUCTION**

Pursuant to Section 13(1) of the Gas (Interim) (Regulation) Act 2002, the Commission approves Code Modification A102 'amendment to Code of Operations to enable the Transporter procure shrinkage gas on a trading platform'.

This modification amends Part A (Definitions and Interpretation), Part D (Nominations, Allocations and NDM Supply Point Reconciliation) and Part E (Balancing and Shrinkage) of the Code of Operations in order to enable Gas Networks Ireland to procure Shrinkage Gas on a Trading Platform, for delivery beginning on 1<sup>st</sup> October 2020. The approved modification will come into effect on the 5<sup>th</sup> of June 2020.

Signed:



Karen Trant  
Director, Energy Networks

Issue Date: 5<sup>th</sup> June 2020



## **CODE OF OPERATIONS**

### **NOTICE TO SHIPPERS**

#### **PURSUANT TO THE CODE OF OPERATIONS**

#### **APPROVAL OF MODIFICATION**

### **CODE MODIFICATION A102 'AMENDMENT TO CODE OF OPERATIONS TO ENABLE THE TRANSPORTER PROCURE SHRINKAGE GAS ON A TRADING PLATFORM'**

#### **COMMISSION RATIONALE**

Pursuant to Section 13(1) of the Gas (Interim) (Regulation) Act 2002, the Commission approves Code Modification A102 'Amendment to Code of Operations to enable the Transporter procure shrinkage gas on a Trading Platform'. This approved modification will come into effect on the 5<sup>th</sup> of June 2020. The background and rationale are set out below.

#### **BACKGROUND**

Shrinkage Gas is mainly gas that Gas Networks Ireland ('GNI') uses to operate the compressors which move gas around the natural gas network. Historically, GNI has procured Shrinkage Gas via a single source contract for variable volumes with the delivery price set relative to the UK system average price for a gas day. To date, the contract has been awarded to a single Shipper and the delivery point for the Shrinkage Gas has always been at Moffat, the interconnection point between the GNI and National Grid systems in Scotland.

During late 2019 and early 2020, at the request of many industry participants, GNI undertook a review of its strategy for procuring Shrinkage Gas. GNI investigated the possibility of procuring its Shrinkage Gas on the Marex Spectron Trading Platform. This would allow different Shippers offer Shrinkage Gas volumes at competitive prices in the real-time transparent market offered by the Trading Platform. The Trading Platform was launched in September 2017 and since July 2018 GNI has traded gas on the Platform for balancing gas purposes. However Shrinkage Gas has continued to be procured via the single-source contract mentioned above.

Most Shippers are in favour of moving the procurement of Shrinkage to the Trading Platform and there was some discussion at the Code Modification Forum about the most appropriate purchasing strategy for GNI to use. In relation to timelines, it was initially envisioned that the move to the Trading Platform would be made for Gas Year 2021/22, however some Shippers asked whether the change could be made for Gas Year 2020/21. After carrying out further investigations, GNI concluded that this was possible. GNI intends to begin placing bids on the Trading Platform in June 2020 (this month) for Shrinkage Gas for delivery starting in October 2020.

#### **BRIEF OUTLINE OF THE CODE MODIFICATION**

This modification will amend the Code of Operations to allow GNI to procure Shrinkage Gas via the Marex Spectron Trading Platform for delivery beginning on 1<sup>st</sup> October 2020. This will mean that all

Shippers who have counterparty trading arrangements with GNI will have the opportunity to sell Shrinkage Gas to GNI.

- **Part A (Definitions and Interpretation):** amendments to existing definitions and insertion of new defined terms to enable GNI to procure Shrinkage Gas on the Trading Platform
- **Part D (Nominations, Allocations and NDM Supply Point Reconciliation):** amendments to Section 1.2.5(A) to specify notification and information provision requirements between a Shipper and GNI in the case of a Shrinkage Gas transaction.
- **Part E (Balancing and Shrinkage):** Sections 1.5.1, 1.5.3 and 1.5.5 are amended to enable the nomination and allocation procedures associated with the existing form of procurement to persist for delivery of gas until 30<sup>th</sup> September 2020. Section 2.2 is amended to allow GNI to utilize the Trading Platform for the purpose of Shrinkage Gas Procurement. Section 2.5.2 is amended to allow for the recovery of transportation charges related to the existing Shrinkage contract related to the period where that contract remains in force.

#### **REASONS FOR THE APPROVAL OF THE CODE MODIFICATION**

The CRU is in favour of moving the procurement of Shrinkage Gas to the Trading Platform, which is enabled by this Code Modification. The CRU notes that the change will allow different Shippers to provide Shrinkage Gas to GNI and is likely to increase liquidity on the Trading Platform. The CRU also notes that procuring Shrinkage Gas via the Trading Platform allows for competition between Shippers for smaller volumes of Shrinkage Gas and so increases the likelihood of better pricing for GNI. It should also allow for increased transparency and price discovery in the Irish wholesale gas market.

## CODE MODIFICATION/SHRINKAGE

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Part A – Amend Part A definitions as follows:-

1. Amend existing definition as follows:

**“Marketing Balancing Buy”** means a Balancing Gas Buy availing of Short Term Standardised Products on the Trading Platform pursuant for TPTA

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**“Marketing Balancing Sell”** means a Balancing Gas Sell availing of Short Term Standardised Products on the Trading Platform pursuant to a TPTA.

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**“Marketing Balancing Transaction”** means a Market Balancing Buy and/or a Market Balancing Sell or either or both of them as the case may be.

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2. Insert new defined terms as follows:

**“Short Term Standardised Products”** means products traded for delivery on a within Day or Day ahead basis on the Trading Platform or such other product as may be determined as such by the Transporter with the approval of the Commission from time to time.

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**“Shrinkage Gas Buy”** has the meaning given to it in Part E (Balancing Shrinkage) Section 2.2.1.”

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**“Shrinkage Gas Sell”** has the meaning given to it in Part E (Balancing Shrinkage) Section 2.2.1.”

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**“Shrinkage Trade”** means a Shrinkage Gas Buy or a Shrinkage Gas Sell or either or both of them as the case may be.

### Part D (Nominations, Allocations and NDM Supply Point Reconciliation)

Amend 1.2.5(A)

(a) By inserting a Shrinkage Trade

In Section 1.2.5(A) (a)(ii) after “or a Temporal Balancing Trade” insert “or Shrinkage Trade”

In (iii) after “Market Balancing Transaction” insert “or Shrinkage Trade”

In (iv) insert “or Shrinkage Trade” after Market Balancing Transaction

In (v) insert “or Shrinkage Trade” after Market Balancing Transaction

In (vi) after Market Balancing Transaction reference number insert “or the Shrinkage Trade Reference Number”

Amend 1.2.5(A)(e) by inserting the words “or Shrinkage Trade” after Market Balancing Transaction on each of line one and line five.

Amend Part E (Balancing Shrinkage) as attached.