

CODE OF OPERATIONS MODIFICATION PROPOSAL



MODIFICATION DETAILS				
Modification Number: A109		Modification Title: Amendment to Code of Operations to specify the basis of calculation of charge in respect of an adjustment to a metered quantity (Metered Quantity Adjustment) as referred to in Part G (Technical) Section 4.9 of the Code of Operations.		
Modification Proposer:	Modification Representative:	Modification Representative Contact Details (email address):	Date Submitted:	Proposed Implementation Date:
Gas Networks Ireland	Kieran Quill	kieran.quill@gasnetworks.ie	/04/2022	1/10/2022
Proposal (including rationale):				
To specify the charge and the basis of its calculation in respect of a Metered Quantity Adjustment.				
Proposed Implementation Date:				
Proposed section of the Code to be modified:				
Amend Part A (<i>Definitions</i>), Part G (<i>Technical</i>) Section 4.9 with potential consequential amendments to Section 4.6.10 and/or Section 4.7.8) and Part I (<i>Legal and General</i>) Section 11.				
MODIFICATION MOTIVATION				
Intended Outcome of the Proposed Modification:				
To ensure the charge associated with a Metered Quantity Adjustment is clearly specified in the Code of Operations and that the charge is calculated by reference to the average Imbalance Price (Non RNG) the period in respect of which the adjustment arises.				
Benefits of implementing this Modification:				
the Code will clearly specify the basis of calculation of the relevant charge and will ensure that the charge is related to the month in which the adjustment occurs. See also attached Explanatory Memorandum.				
Consequences of not making this Modification: The Code will not clearly specify the basis of calculation of charge for a Metered Quantity Adjustment.				
GNI will continue to calculate the relevant charges in accordance with the current Code of Operations and established custom and practice which is considered unsuitable in the context of gas price volatility. See attached Explanatory Memorandum.				
Illustrative Example (Please enter a scenario where the issue and solution are illustrated):				
Please see attached Explanatory Memorandum.				



CODE OF OPERATIONS

NOTICE TO SHIPPERS

PURSUANT TO THE CODE OF OPERATIONS

APPROVAL OF MODIFICATION

CODE MODIFICATION A109 - Amendment to Code of Operations to specify the basis of calculation of charge in respect of an adjustment to a metered quantity (Metered Quantity Adjustment) as referred to in Part G (Technical) Section 4.9 of the Code of Operations.

COMMISSION INSTRUCTION

Pursuant to Section 13(1) of the Gas (Interim) (Regulation) Act 2002, the Commission approves Code Modification A109 - Amendment to Code of Operations to specify the basis of calculation of charge in respect of an adjustment to a metered quantity (Metered Quantity Adjustment) as referred to in Part G (Technical) Section 4.9 of the Code of Operations.

This modification A109 inserts specific provisions in the Code of Operations defining the price to be used in the calculation of the charge applicable to an adjustment to a metered quantity. The modification amends the following sections of the Code:

- Part A - Definitions Interpretation;
- Part G - Technical;
- Part I - Legal and General.

As additional clarifications were made to the legal drafting following the industry consultation on Modification A109, the approved drafting is attached to this notice showing the clarifications as tracked changes.

This approved modification will come into effect on .

Signed:

Seán Mac an Bhaird
Gas Networks Manager

Issue Date:



CODE OF OPERATIONS

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COMMISSION RATIONALE

Pursuant to Section 13(1) of the Gas (Interim) (Regulation) Act 2002, the Commission approves Code Modification A109 – Amendment to Code of Operations to specify the basis of calculation of charge in respect of an adjustment to a metered quantity (Metered Quantity Adjustment) as referred to in Part G (Technical) Section 4.9 of the Code of Operations.

This modification A109 inserts specific provisions in the Code of Operations defining the price to be used in the calculation of the charge applicable to an adjustment to a metered quantity. The approved modification will come into effect on 1st February 2023.

The background and rationale for the modification are set out below together with additional considerations relating to the subject matter.

BACKGROUND

Various circumstances can give rise to the Transporter, at a point in time, making inaccurate allocations of gas at an Offtake Point. These include situations where a communication failure results in metering information not being available to the Transporter and/or when the metering equipment is not functioning within the prescribed accuracy limits. When such circumstances come to the attention of the Transporter it is necessary, following the completion of the necessary technical measures, to adjust the metered quantity and also the level of Unaccounted for Gas. Such adjustments are made beyond the day D+5 which is the date of final allocations and accordingly the adjustments do not impact on a shipper's final allocation, Imbalance position or its position regarding Capacity Overruns

However, any adjustment in the metered quantity gives rise to the Registered Shipper at the Offtake Point being invoiced for or credited with the value of gas comprising the adjustment. The period to which the adjustment relates can vary depending on the length of time taken to discover any equipment malfunction as well as the time taken to fix the equipment on site and can, in some cases, span several months.

The Code of Operations does not currently contain specific provisions indicating how adjustment quantities spanning several months are to be valued by the Transporter. The Transporter confirmed that to date, the custom and practice used is to apply the average imbalance price applicable to the month immediately preceding the issue of the relevant invoice/credit note to the Registered Shipper, irrespective if the adjustment period spanned one or many months.

In proposing Modification A109, GNI wished to insert explicit provisions in the Code to cover the valuation of the metered quantity being adjusted and to change the basis of pricing such valuation.

INDUSTRY CONSULTATION

GNI circulated its Proposal for Modification A109 to industry on the 27th April 2022 together with an explanatory memorandum. At the Code Modification Forum Meeting of 15th June, GNI informed the Forum that the industry review period would end on 17th August to allow sufficient time for industry to make submissions. The modification was thus on the Agenda at the Code Modification Forum Meetings of 15th June and 17th August. No verbal submissions were made by industry on either occasion. The industry consultation period formally ended on 17th August 2022 with no submissions received.

GNI submitted the legal text and its modification report to CRU on 6th September 2022 for the approval of the Commission.

BRIEF OUTLINE OF THE CODE MODIFICATION AND GNI ENGAGEMENT

Modification A109 provides explicit clarity in the Code on the pricing of quantities of gas which result in charges or credits being issued to a Registered Shipper following the adjustment of a metered quantity by the Transporter. Such adjustments are made pursuant to Section 4.6.10 of Part G of the Code and while the Transporter has previously been obliged pursuant to Section 4.9 of Part G to invoice the Registered Shipper in relation to the adjustment, the code does not currently contain explicit provisions for the pricing of such adjustments.

Modification A109 introduces new definitions in Part A of the Code for the following terms:

- Metered Quantity Adjustment;
- Metered Quantity Adjustment Price;
- Metered Quantity Adjustment Charge and
- Adjustment Period

The Modification amends 4.9 of Part G to describe the Metered Quantity Adjustment Price as the average Imbalance Price (non-RNG) calculated over the entirety of the Adjustment Period. Further clarity is also introduced in Section 4.9 of Part G to oblige the Transporter to include the Metered Quantity Adjustment Charge in the Shipper's Monthly invoice immediately following the determination of the Metered Adjustment Quantity and the calculation of the

Metered Quantity Adjustment Charge.

In addition, Modification A109 provides further clarity in relation to the term “Invoice Item” in Section 11.3.6 of Part I. This section is now amended to include “any applicable Metered Quantity Adjustment Charge”.

CRU engaged extensively with the Transporter following receipt for approval of the modification’s legal text from GNI on such matters as:

- The definitions of the terms “next Monthly Invoice” and “Adjustment Period;”
- The calculation methodology for Metered Quantity Adjustment Charges; and
- The potential for the Transporter to “ringfence” or hold cash out of the Disbursements Account in cases where a shipper queries a meter adjustment charge.

Two clarifications were added to the legal drafting arising from this engagement as follows:

- Further clarification of the term “next monthly invoice” was added and
- An algebraic formula was included showing the calculation of the Metered Quantity Adjustment Charge from the elements already described in GNI’s text

Arising from the engagement, CRU also concluded that consideration needs to be given to including additional provisions in the Code on the topic of metered quantity adjustment over and above what is covered by Modification A109. The issue of adjustment to metered quantities spans the technical, operational and financial obligations of the Transporter. While Modification A109 does provide some additional and explicit clarification in this area, further consideration of the topic by the Transporter and industry would be welcomed by the CRU. For example, further consideration of the Transporter’s treatment of monies that were paid as an invoiced adjustment charge but are the subject of an ongoing query or dispute may be warranted together with more clarity on the operational process associated with the adjustments.

REASONS FOR THE APPROVAL OF THE CODE MODIFICATION

CRU believes it beneficial to define, in an explicit manner, the basis for financial valuation of Meter Quantity Adjustments in the Code of Operations. In addition, CRU is of the view that it is preferable to use the average of the Imbalance Prices (Non-RNG) covering the entirety of the Adjustment Period rather than any particular monthly average (as recommended in the proposed Code Modification request). CRU considers this approach to be an appropriate measure of the value of gas in question and should replace the current approach of applying the average imbalance price applicable to the month immediately preceding the issue of the relevant invoice /credit note.

Additional Considerations related to the Adjustment of Metered Quantities

As indicated above, CRU is minded to seek further clarity, over and above Modification A109, to be included in the Code of Operations on the topic of adjustments to metered quantities and the treatment of charges relating to same. On CRU’s request, the Transporter has drafted a procedure document covering the various activities relating to the adjustment of metered quantities. CRU proposed that the procedure should address the technical, operational and financial issues relating to the adjustment of metered quantities. The procedure document

will be circulated to industry for comment. Industry will also be asked to consider whether the document should be the subject of a further Code Modification proposal to be raised by GNI to formally link the procedure to the Code. If the modification is approved the procedure will then constitute a Procedure under the Code and will be published by the Transporter pursuant to Part I (Legal & General) Section 12.9 of the Code.

Issue Date: 1st February 2023

Code Modification A109

Amendment of Code of Operations to specify the basis of calculation of charge in respect of an adjustment to a Metered Quantity

The Code of Operations shall be modified as follows:

1. Part A (*Definitions Interpretation*) shall be modified by the inclusion of the following new defined terms and their associated definitions in alphabetical order

“**Metered Quantity Adjustment**” has the meaning given to it in Part G (*Technical*) Section 4.9.

“**Metered Quantity Adjustment [~~Price/Charge~~]**” has the meaning given to it in Part G (*Technical*) Section 4.9.

“**Metered Quantity Adjustment Charge**” has the meaning given to it in Part G (*Technical*) Section 4.9.3.

“**Adjustment Period**” for the purpose of a Metered Quantity Adjustment Price calculation shall mean a period commencing on the first Day of the calendar month to which the Metered Quantity Adjustment (or any part of it) relates and ending on the last day of the calendar month to which the Metered Quantity Adjustment (or any part of it) relates.

2. Part G (*Technical*) shall be amended by the deletion of the existing Section 4.9 and the insertion of the following in substitution therefor:

4.9 **Adjustment to Metered Quantity and associated charges.**

4.9.1 Any adjustment to the Metered Quantity of Natural Gas offtaken as referred to in Section 4.6.10 or Section 4.7.8 a “**Metered Quantity Adjustment**” and the associated charge (the “**Metered Quantity Adjustment Charge**”) calculated in accordance with Section 4.9.4 by reference to the Metered Quantity Adjustment Price shall be shown in the ~~next~~ Monthly Invoice rendered by the Transporter to the Registered Shipper and following the determination of the Metered Adjustment Quantity and calculation of the Metered Quantity Adjustment Charge; Unaccounted For Gas shall be adjusted accordingly.

4.9.2 A Metered Quantity Adjustment can be either negative or positive according to the following:

- (a) If the quantity of Natural Gas registered as offtaken at an Offtake Point is increased pursuant to Section 4.6.10 or Section 4.7.5 the Metered Adjustment Quantity is negative;

(b) If the quantity of Natural Gas registered as offtaken at an Offtake Point is decreased pursuant to Section 4.6.10 or Section 4.7.5 the Metered Adjustment Quantity is positive.

4.9.3 The price (“**Metered Quantity Adjustment Price**”) means a price calculated as follows:

(a) where the Metered Adjustment Quantity is positive the average Imbalance Price (Non RNG) for a positive Imbalance Quantity over the Adjustment Period; and

(b) where the Metered Quantity Adjustment is negative the average Imbalance Price (Non RNG) in respect of a negative Imbalance Quantity over the Adjustment Period; and

4.9.44.9.4 The Metered Quantity Adjustment Charge shall be calculated as follows:

$$\text{MQC} = \text{MQA} \times \text{MQP}$$

Where:

MQC means the Metered Quantity Adjustment Charge.

MQA means the Metered Quantity Adjustment.

MQP means the Metered Quantity Adjustment Price.

4.9.5 Notwithstanding the foregoing a Metered Quantity Adjustment shall not affect a Shipper’s Daily Imbalance Quantity and/or Overrun Quantity.

3. Part I (*Legal / General*)

Amend Part I Section 11.3.6 to include “any applicable Metered Quantity Adjustment Charge”.