

## MODIFICATION PROPOSAL:

017

**SHORT TITLE:** Capacity Booking and Associated Rules for Interconnectors

**DATE:** 27/1/97

**PROPOSED IMPLEMENTATION DATE:** 10/2/97

**URGENCY:** Urgent

### **JUSTIFICATION:**

The Network Code Connected System Exit Point (CSEP) rules do not address the specific transportation requirements for interconnectors. There is an urgent need to properly define capacity booking principles for the Irish Interconnector.

These concerns did not exist in the pre-Network Code era because Moffat was considered to be a Supply Point. Only with the introduction of the Network Code did the definition of a Supply Point become specifically related to particular premises, rather than any point at which gas is offtaken from the System. The modification proposal seeks to apply 'VLDMC Supply Point type' capacity booking principles (appropriately amended) to interconnectors. The opportunity is also being taken to clarify other associated areas of the Network Code as they relate to interconnectors.

### **CONSEQUENCE OF NOT MAKING THIS CHANGE:**

Moffat Shippers face considerable uncertainty as to what 'capacity booking rights' are being purchased when they currently 'book' Moffat exit capacity. Strictly no 'rights' exist at the moment because appropriate interconnector CSEP rules do not exist. Also, TransCo wishes to properly manage capacity at Moffat and this is difficult in the absence of specific rules that relate to interconnector CSEPs.

This 'gap' in the Network Code places unnecessary risks on Moffat Shippers which are not faced by Shippers supplying similar large gas volumes to say VLDMCs. Clear interconnector rules are essential to properly define both Users and TransCo rights and obligations.

### **NATURE OF PROPOSAL:**

Section J5 of the Code contains some terms for transportation arrangements at CSEPs which were developed towards the end of the network code process in the absence of any detailed discussion either of general principles or specific cases. It has become clear that the arrangements in this Section are deficient in a number of respects. This modification seeks to remedy some of the deficiencies which have been encountered in actual negotiations on particular CSEPs, in particular for the Irish Interconnector. The issues addressed by this modification are:

- the need to clarify that (at least at certain CSEPs) NTS Exit Capacity will not be oversold.
- to establish that Interconnector NTS Exit Capacity would be treated in a similar fashion to capacity held by Users at VLDMC Supply Points. This would allow CSEP Users to continue to book and hold capacity from year to year. A 'book it or lose it' principle would apply, ie. any capacity not rebooked from one year to the next could be sold to other CSEP Users.

- to give TransCo the right to ask for 'evidence' from CSEP Users that they have a bona fide requirement to book interconnector NTS Exit Capacity. TransCo could reject requests for capacity should Users be unable to demonstrate a need to book such capacity.
- the possible need for all shippers using a CSEP to enter into an agency agreement to appoint an agent for purposes of nominations and other communications. (This is in part already addressed by J5.8.3, but that Section only contemplates the Connected System Operator acting as agent).
- the possible need for all shippers using a CSEP and TransCo to enter into an Ancillary Agreement setting out additional terms. At present the Code envisages that all terms (additional to those in the Code) applicable to a CSEP will be contained in a Network Exit Agreement with the Connected System Operator. There are a number of possible difficulties with this. There may be difficulties in modifying a NExA which can be overcome by a code modification (under the Modification Rules) of an Ancillary Agreement. In some cases the CSO may be reluctant to enter a NExA containing terms which bind only shippers. In other cases terms may be required which are really only appropriate for an Agreement directly binding shippers, or not envisaged by Section J5 as being contained in a NExA.
- the possible need to establish pre-conditions (such as entering into an agency agreement) before a shipper can become a CSEP User.
- the need for CSEP reconciliation to include adjustments on testing, verification or calibration (in Section E).
- to enable interruptible services to be offered at interconnectors if appropriate.

It is too soon to attempt a general rewrite of J5 and the approach of this modification is simply (i) to extend the possible contents of a CSEP NExA, and (ii) to allow anything which might be contained in a NExA to be contained as an alternative in a 'CSEP Ancillary Agreement'.

## **PURPOSE OF PROPOSAL:**

To formalise capacity booking arrangements at the Moffat CSEP in line with capacity booking principles already established in the code for VLDMC Supply Points. To clarify and amend CSEP rules to deal with interconnectors.

## **PROPOSED TEXT**

SECTION J. Amend paragraph 5.6.1 to read as follows:

"5.6.1 No User may apply for or hold System Capacity at or offtake gas at a Connected System Exit Point unless the User has given notice (but subject to paragraphs 5.6.4 and 5.9.1) to TransCo of its intention to do so; ..."

Insert a new paragraph 5.6.4 as follows:

"5.6.4 A User shall not be entitled to give notice pursuant to paragraph 5.6.1 until and unless the User has complied with such conditions as may be specified in the Network Exit Agreement and (where required pursuant to paragraph 5.9.1) has acceded to the CSEP Ancillary Agreement."

Amend paragraph 5.8.3 to read as follows:

5.8.3 A CSEP Network Exit Agreement may provide for the Connected System Operator or any other person (including TransCo) to be appointed as User Agent by each User intending to hold System Capacity or offtake gas at the Connected System Exit Point, for such purposes as are specified in the Network Exit Agreement, and may provide for each such User to be party to a specified Agreement for the purposes of such appointment (which Agreement may contain terms upon which such person is so appointed including terms as to remuneration of such person); and where the CSEP Network Exit Agreement so provides a User shall not be entitled to give notice pursuant to paragraph 5.6.1 until and unless the User has appointed such person as agent for such purposes and (if so required) has entered into or acceded to such Agreement.

Insert a new paragraph 5.9 as follows:

"5.9 CSEP Ancillary Agreement

5.9.1 TransCo may require, as a condition of a User's giving notice pursuant to paragraph 5.6.1, that the User enter into or accede to an Ancillary Agreement ("**CSEP Ancillary Agreement**") in a form designated by TransCo [with Condition 7(4) Approval of the Director] setting out terms (in addition to or by way of variation of the terms of the Code) in relation to the use of the System for the purposes of offtake of gas at a Connected System Exit Point.

5.9.2 A CSEP Ancillary Agreement shall be deemed to be a part of the Code for the purposes of enabling such Agreement to be modified pursuant to the Modification Rules.

5.9.3 A CSEP Ancillary Agreement may contain any provision which may be included in a CSEP Network Exit Agreement, in which case any requirement that the CSEP Network Exit Agreement contain such a provision shall not apply.

5.9.4 TransCo will make available to any User on request a copy of any CSEP Ancillary Agreement ..."

Insert a new paragraph 5.10 as follows:

"5.10 NTS Exit Capacity at relevant Connected System Exit Points<sup>1</sup>

5.10.1 In accordance with paragraph 3.9, but subject to paragraph 5.10.6, the aggregate of the maximum permitted rates (for each CSEP User) of offtake at a relevant Connected System Exit Point shall not exceed the maximum instantaneous rate at which it is feasible for TransCo to make gas available for offtake at the Connected System Exit Point; and the aggregate amount of NTS Exit Capacity which Users may be holding at a relevant NTS Connected System Exit Point shall not exceed the maximum aggregate amount of gas which it is feasible for TransCo to make available for offtake at the Connected System Exit Point in a period of 24 hours.

1 This should probably be extended in due course to LDZ Capacity but some further drafting in Section B4 would first be required.

- 5.10.2 Without prejudice to any provisions for allocation of NTS Exit Capacity contained in the CSEP Network Exit Agreement or any CSEP Ancillary Agreement, TransCo shall be entitled to reject any application for (or for an increase in) NTS Exit Capacity at a relevant Connected System Exit Point where the requirement in paragraph 5.10.1 would be infringed if it accepted such application.
- 5.10.3 TransCo may agree, pursuant to the CSEP Network Exit Agreement or a CSEP Ancillary Agreement, and subject to any conditions contained in such Agreement, that with effect from the expiry of the capacity period (as defined in Section B3.2.9) in respect of any prevailing registration in the name of any User of NTS Exit Capacity at a relevant Connected System Exit Point, the User shall be entitled to apply for and may be registered (in priority to any other User) as holding NTS Exit Capacity in an amount not exceeding the amount subject to such prevailing registration.
- 5.10.4 The CSEP Network Exit Agreement or a CSEP Ancillary Agreement may include a requirement to the effect that a User applying for NTS Exit Capacity at a relevant Connected System Exit Point shall demonstrate (as a condition of such application) to the satisfaction of TransCo that it, or a person purchasing gas from it, is entitled to have gas which has been offtaken by such User from the System at the relevant Connected System Exit Point (in the maximum amounts and at the maximum rates commensurate with the NTS Exit Capacity applied for and for a period commensurate with the proposed capacity period) conveyed in the Connected Offtake System.
- 5.10.5 Unless TransCo shall otherwise agree, any application by a User for NTS Exit Capacity at a relevant Connected System Exit Point shall be made by way of Conventional Notice; and any registration of NTS Exit Capacity at a relevant Connected System Exit Point in respect of which this paragraph 5.10.6 is not complied with shall be invalid and ineffective notwithstanding such registration may be recorded in UK Link and notwithstanding TransCo may have invoiced NTS Exit Capacity Charges pursuant to such registration."
- 5.10.6 TransCo may agree pursuant to a CSEP Network Exit Agreement or a CSEP Ancillary Agreement, upon such terms and subject to such conditions as may be provided in such Agreement, that:
- (a) a relevant NTS Connected System Exit Point may be treated, pursuant to Section A3.3.5, as comprising two separate Connected System Exit Points (respectively a "**Firm CSEP**" and an "**Interruptible CSEP**") for the purposes described in this paragraph 5.10.6 and such other purposes as may be specified in such Agreement;
  - (b) a CSEP User may apply for and hold NTS Exit Capacity at the Interruptible CSEP, on the basis that TransCo shall be entitled to require the User to reduce or discontinue the offtake of gas from the System at the Connected System Exit Point:
    - (i) where it would not otherwise be feasible for TransCo to make available gas for offtake from the System by CSEP Users at the Firm CSEP pursuant to the exercise of their entitlements so to offtake gas;
    - (ii) in any such other circumstances as may be provided in such Agreement; and
  - (c) a CSEP User will not be liable to pay NTS Exit Capacity Charges, or will be liable to pay such charges only at a reduced rate, in respect of NTS Exit Capacity held (in accordance with paragraph (b)) at the Interruptible CSEP; and in such a case the Firm CSEP, but not the Interruptible CSEP, shall be a relevant Connected System Exit Point for the purposes of paragraph 5.10.1.

Section B

Amend paragraph 3.2.4 by moving the word 'or' from the end of paragraph (i) to the end of paragraph (ii) and adding a new paragraph (iii) as follows:

"(iii) in accordance with Section J5.10.3."

Section E

Amend paragraphs 1.3.4 (b) (i) and (ii) to read as follows:

- "(i) the quantities determined to have been offtaken by automated or estimated readings of the meter at the Connected System Exit Point, or by readings of such meter before any testing, verification or calibration thereof, and
- (ii) the quantities subsequently determined to have been offtaken, by reference to (as the case may be) a periodic check reading, or a reading following such estimation, or a determination or estimation following testing, verification or calibration, of such meter,"

Amend paragraph E6.1.4(c)(ii) to read as follows:

"... the quantity determined (upon a periodic check reading, or a reading following estimation of the reading, or a determination or estimation following testing, verification or calibration, of the meter installed at the Connected System Exit Point) differs ..."

**IDENTITY OF PROPOSER'S REPRESENTATIVE:** R.Brown

PROPOSER: P Bolitho  
SIGNATURE: *P. Bolitho*  
POSITION: Negotiator, Network Development  
COMPANY: TransCo

MODIFICATION PANEL SECRETARY'S USE ONLY

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