



**PROPOSED INTRODUCTION OF THE
INTERIM DISTRIBUTION CODE OF
OPERATIONS**

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1. BACKGROUND

Legislative Background

- 1.0 Bord Gáis has been developing a Third Party Access (TPA) regime since 1995 - consistent with principles of TPA referenced in the Gas Act, 1976 (as amended by the Energy (Miscellaneous Provisions) Act, 1995) and the Gas (Interim)(Regulation) Act, 2002 - in order to fully implement the European Commission Gas Directive (98/30/EC).
- 1.1 The Transmission Code of Operations (TCOP) was introduced with effect from October 1999 to facilitate the first phase of gas market opening in Ireland to large End Users. The TCOP is the standard set of 'market rules' associated with the transportation of gas through the Transmission pipeline system.
- 1.2 The provisions of the Gas (Interim)(Regulation) Act, 2002, further reduce the threshold for End Users to avail of TPA. These require Bord Gáis after 30th April 2002 to make an offer, in response to a request by a licensed applicant or the relevant End User, to transmit gas to gas-fired generators irrespective of the annual consumption or to a final customer (End User) with an annual rate of consumption not less than 2,000,000 standard cubic metres per annum at a single meter installation for the purposes of delivery to that installation. This has resulted in around 100 eligible consumers, many of whom are connected to the Distribution System
- 1.3 The Minister for Communication, Marine and Natural Resources, announced on 25th November 2002 the further liberalisation of the gas market from January 1st 2003. The new Order signed on this date reduced the TPA threshold to 500,000 standard cubic metres per annum, bringing the total number of industrial and commercial sites eligible to over 250.
- 1.4 The Act also requires the Pipeline Operator, being the holder of a Natural Gas Licence, to publish, subject to the approval of the Commission for Energy Regulation (CER), a code of operations, thus ensuring an integrated set of market rules governing access and operation of the pipeline network.

Proposed Development of TPA arrangements

- 1.5 This paper is intended to provide a brief overview of the proposed TPA arrangements for the transportation of natural gas under the Bord Gáis Distribution Code of Operations (DCOP).
- 1.6 This paper has been prepared by the Distribution and Transmission business units of Bord Gáis Éireann, based on the latest set of proposals associated with the ongoing development of TPA.

Interim Code

- 1.7 The proposed Distribution Code of Operations (DCOP) relates to Daily Meter (DM) offtakes only i.e. where an end of day measurement of the daily consumption is made available. As such this DCOP will be an interim code to be replaced by a Distribution Code of Operations, which would cater for both Non-daily Metered (NDM) and DM offtakes, consistent with the further opening of the natural gas supply market, for all industrial and commercial sites, as currently envisaged.
- 1.8 Earlier this year the CER launched a wide-ranging consultation on the natural gas policy framework¹, forming the initial stage of a comprehensive review of natural gas regulatory issues².
- 1.9 It introduced a review process that will make recommendations regarding developments in the market. As such, the arrangements summarised in this paper may be subject to changes.

The Context of the Interim Distribution Code of Operations ('DCOP')

- 1.10 The existing Transmission Code of Operations ('TCOP') defines the operational arrangements for the provision of transportation services to large end users. Since its introduction the TCOP has been subject to progressive change following consultation with industry participants via the Modification Forum and will continue to evolve as the market develops further.
- 1.11 As the TPA threshold is further reduced and TPA is introduced for smaller End Users, in the absence of other arrangements the operational requirements of a 'point-to-point' regime as defined by TCOP would apply.

¹ CER, "Consultation on Natural Gas Policy Framework", June 2002.

² The CER Gas Regulation Project, presented by the CER, July 2002.

- 1.12 Having regard to the requirements of all natural gas consumers, Bord Gáis is proposing the introduction of an interim Distribution Code of Operations ('DCOP') defining the rules that will apply to Shippers³ servicing smaller End Users, which are generally located off the Distribution system.
- 1.13 A critical element in ensuring the successful adoption of the DCOP in the market is to ensure interoperability of the DCOP with operational arrangements defined in the TCOP, i.e. for the high pressure Transmission pipeline network that services the Distribution system.
- 1.14 In order to facilitate further liberalisation of the gas supply market, Bord Gáis has established an administrative function known as the Gas Point Registration Operator (GPRO), which will have the responsibility for the administration of the Supply Point Administration (SPA) process, and the provision of metering information to the market participants. The obligations for establishing these arrangements are expected to be set out in the distribution Natural Gas Licence and the DCOP. The GPRO will be responsible for delivering the relevant obligations of the licensed distributor.
- 1.15 This submission outlines proposals for facilitating the introduction of the DCOP, and how it will work for Transporters, Shippers and End Users. Section 2 of this paper summarises the proposed DCOP arrangements associated with the transportation of natural gas through the Bord Gáis Transmission and Distribution systems to an eligible End User. Section 3 of this paper outlines the main provisions of the proposed DCOP.

³ Shipper – Any person having an entitlement by way of a contract with the Transporter to ship Natural Gas through the Bord Gáis system or any part thereof for offtake at an Exit Point. This activity requires a Natural Gas Licence under the Gas (Interim) (Regulation) Act, 2002.

A final customer, consistent with the terms of the Gas (Interim) (Regulation) Act 2002, may act as their own Shipper. This would also require a Natural Gas Licence.

2. PROPOSED INTRODUCTION OF THE INTERIM DISTRIBUTION CODE OF OPERATIONS ('DCOP')

- 2.0 The 'Point-to-Point' regime defined in the TCOP was developed for large End Users in order to optimise the use of the network and to fairly allocate costs among system users.
- 2.1 It is proposed that Shippers to smaller End Users (i.e. loads which are deemed not to be operationally material in the context of the managing the Transmission system) should be permitted to aggregate nominations and daily balancing requirements for a distribution zone which may be a geographic area or a third party connected distribution system⁴.
- 2.2 In order to facilitate the scheduling of loads on the transmission system in advance of the gas day, it is necessary to have separate nominations for the southern and eastern 'Zones' of the network. It can take up to 27 hours for gas molecules to travel the length of the network. Therefore, distinguishing nominations between 'Zones' is necessary to ensure that the gas delivery and Scheduling requirements will be met.
- 2.3 To facilitate this arrangement initially two Zones will be established, an 'Eastern Zone' and a 'Southern Zone'.

Shipping to a Distribution Zone

- 2.4 The Shipper to a Distribution Zone or connected Distribution System would be subject to capacity overrun charges for quantities above the level of capacity held by the Shipper for the Zone, in accordance with the applicable TCOP rules.
- 2.5 Shippers offtaking natural gas within a Distribution Zone, as defined above, would enter into a 'Distribution Zone Standard Transportation Agreement' with Bord Gáis Transmission. This Distribution Zone STA will be based on the existing Standard Transportation Agreement ('STA') already in use and will set out the terms and conditions for the transportation of gas through the Transmission system to a Distribution Zone.
- 2.6 Particular to a Distribution Zone STA would be the monthly transfer of Reserved Capacity to reflect End Users, in a Distribution Zone or Connected System, switching Shipper, i.e. the current capacity

⁴ The concept of the "Distribution Zone" may be determined through consultation.

holding on a downstream Distribution register. This capacity transfer would be consistent with the TCOP as appropriate.

- 2.7 Shippers would be advised by the Transmission Transporter, on the basis of a Distribution Transporter forecast, of the required Daily Nomination(s) to each Distribution Zone(s).
- 2.8 The Shipper would be deemed to be within the Permitted Tolerances if the Shipper nominated (and renominated if required), in accordance with the Transmission Transporter's instructions, i.e. any imbalances would be cashed out at the balancing gas price.
- 2.9 Natural gas measured by Transmission at the offtake points from the Transmission system into a Distribution Zone will be advised to the downstream Distribution Transporter.
- 2.10 The Distribution Transporter will inform the Transmission Transporter of the aggregate downstream daily allocation for each Shipper for each zone, based on daily meter readings. This information is used by the Transmission Transporter to determine the Transmission Exit Allocations for a Zone.
- 2.11 A modification to the Transmission Code of Operations will be required to facilitate the arrangements described above.

Shipping within a Distribution Zone

- 2.12 The Distribution Business Unit of Bord Gáis Éireann has developed a standard set of 'market rules' associated with the transportation of natural gas through its Distribution System – i.e. the proposed Distribution Code of Operations (DCOP) constitutes the market rules associated with the Distribution System.
- 2.13 The DCOP is a document intended to record certain rights and responsibilities of the Transporter and Shipper as the parties involved in the transportation of Natural Gas through the Distribution System. It is intended to provide a clear, fair, transparent and equitable framework for Shippers wishing to use the Distribution System. It describes how the technical and operational issues are to be addressed by the parties involved.
- 2.14 In order to arrange for the transportation of natural gas to a site connected to the Bord Gáis Distribution pipeline system, the relevant party (holding an appropriate Natural Gas Licence) will need to be a registered "Shipper" on both the Transmission and Distribution pipeline systems.
- 2.15 The Shipper will therefore need to 'sign up' to both the Transmission and Distribution Codes of Operations (the TCOP and the DCOP). For the TCOP, this will entail signing a Distribution Zone STA with Bord Gáis Transmission. For the DCOP, a Shipper will sign up to

the DCOP through a Framework Agreement with Bord Gáis Distribution.

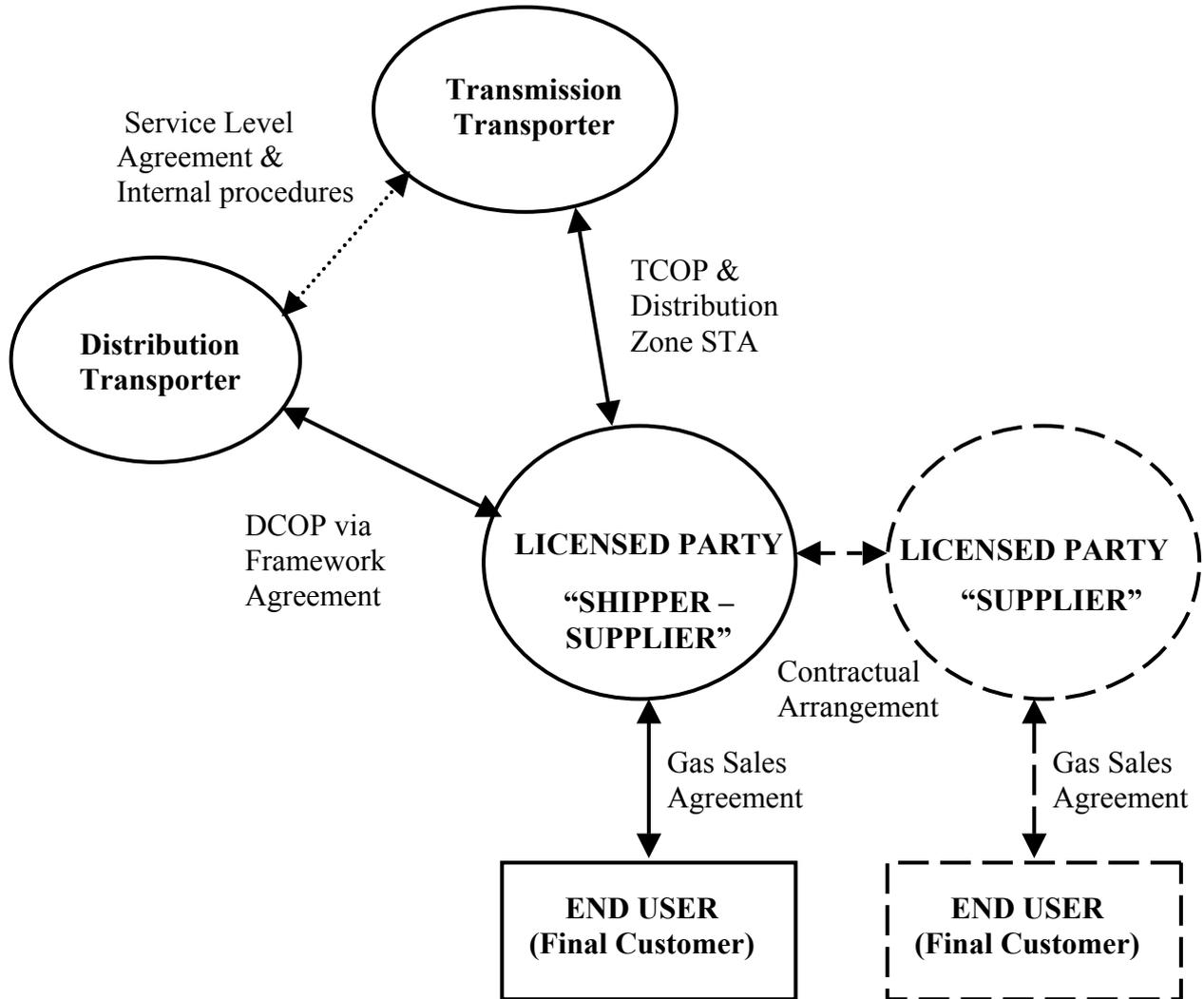
- 2.16 The Shipper will then need to register its End Users within the Distribution Zones by specifying the relevant End User details on a central database called the Gas Point Register⁵. This process is dealt with in the DCOP through what is known as the Supply Point Administration (SPA) procedures. Within the Distribution Zone changes in capacity bookings are also dealt with by the SPA procedures. It is proposed that these SPA procedures (with the exception of Siteworks) will be dealt with by an administrative function within Bord Gáis to be known as the Gas Point Registration Operator (GPRO).
- 2.17 In summary the market role of the GPRO will consist of the following administrative functions:
- Maintaining a list of eligible Customers and the associated eligible Gas Points in accordance with the eligibility criteria.
 - Maintaining on behalf of the Distribution Transporter, the Gas Point Register that contains all the relevant site, Supply Point and Gas Point details (including supplier details where relevant) and which Shipper is registered against each Supply Point.
 - Administration of the SPA procedures as contain in section 7 of the DCOP (with the exception of Siteworks)
 - Provision of Daily Meter (DM) data and consumption histories in respect of Supply Points, to End Users, Shippers and suppliers as appropriate and authorised.
 - Provision of information to the CER consistent with the performance of its duties as regulator.
 - The main point of contact for any queries related to the SPA process.
- 2.18 The Shipper will need sufficient capacity on both the Transmission and Distribution systems to ship natural gas to meet their offtake requirements.

⁵ Gas Point – a single daily metered gas point which meets the eligibility criteria

Contractual Overview

2.19 The proposed contractual framework for Natural Gas Distribution transportation is illustrated in Figure 1 below.

Figure 1: Proposed contractual model for natural gas transportation on the Distribution System



2.20 Figure 1 illustrates that, in order to arrange delivery of Natural Gas to an eligible Distribution End User, a Shipper who is a Licensed Party⁶ will have to sign the following:

⁶ Licensed Party – The holder of a Natural Gas Licence issued by the CER, which is consistent with that party’s shipping and supply activities in the market. It is assumed here for the purposes of illustration that natural gas supply is consistent with the Natural Gas Licence held. Supply being defined here as the delivery or sale of natural gas.

- The TCOP by signing a Distribution Zone STA with Bord Gáis Transmission;
 - The DCOP by signing the Framework Agreement with Bord Gáis Distribution; and
 - A Gas Sales Agreement with the End User.
- 2.21 Figure 1 also illustrates how a Licensed Party either through licence limitations or commercial choice can procure shipping services by having a contractual arrangement with a Shipper. Having these necessary contractual arrangements in place would allow the Licensed Party to enter into a Gas Sales Agreement with the End User.
- 2.22 Subject to the relevant licence conditions, an eligible End User is also entitled to ship gas to its own site. In this situation, the Shipper and End User are effectively one and the same.

Framework Agreement

- 2.23 Each Shipper will accede to the DCOP by signing a Framework Agreement. This will give effect to the DCOP and bind the parties signing the Framework Agreement to the terms and conditions of the DCOP, as they are amended from time to time.

Contractual Arrangements between Licensed Parties

- 2.24 Where a Shipper is providing shipping services to an appropriately licensed third party (i.e. the holder of a Natural Gas Licence consistent with natural gas supply), the Shipper must ensure the necessary contractual arrangements are in place to allow all their obligations under the TCOP and DCOP to be met.
- 2.25 There will an obligation on the Shipper in respect of the Supply Points for which it is registered, to keep updated on the Gas Point Register the details of the Licensed Party which has the Gas Supply Agreement with the End User. This will require the submission of a Supply Point Amendment Request to the GPRO as changes occur.
- 2.26 Where a Shipper has multiple contractual arrangements for shipping services any relevant disputes or objections to changes in shipping arrangements shall be dealt with under the contractual terms agreed between the Shipper the contracted licensed third parties.

Service Level Agreement

- 2.27 In order to ensure the effective interoperability of both the Transmission and Distribution systems a number of internal procedures and processes exist between the respective Bord Gáis business units. These arrangements will be set out in a 'Service Level Agreement' (SLA).

3. PROVISIONS OF THE INTERIM DISTRIBUTION CODE OF OPERATIONS

- 3.0 This section provides a general outline of the main provisions of the proposed DCOP.
- 3.1 The provisions relate to Daily Meter (DM) offtakes i.e. where an end of day measurement of the daily consumption is made available. As such this DCOP will be an interim code to be replaced by a Distribution Code of Operations, which would cater for both Non-daily Metered (NDM) and DM offtakes.

Supply Point Administration

- 3.2 A Supply Point is defined as one or more eligible Gas Points, whereas a Gas Point is a metered point at which gas may be offtaken from the System at a particular End User premise. The DCOP will define the criteria for a Supply Point.
- 3.3 The Supply Point Administration (SPA) procedures provide for Shippers to book capacity and other relevant terms at each Supply Point, to amend these parameters and facilitate the change of Shipper arrangements, with effect from the start of each Month throughout the Gas Year.
- 3.4 The Gas Point Registration Operator (GPRO) will, on behalf of the Distribution Transporter, administer the SPA procedures (with the exception of Siteworks) and also maintain a Gas Point Register that contains all the relevant site, Supply Point and Gas Point details and which Shipper is registered against each Supply Point.
- 3.5 The main SPA procedures include:
- Request – when a Shipper wishes to ship to new End User, the process by which it will inform the Distribution Transporter;
 - Offer – when the Distribution Transporter receives a Supply Point Request, the process by which it provides a formal offer to the Shipper including Supply Point details and Distribution Transportation Charges;
 - Confirmation – the process by which a Shipper confirms its acceptance of responsibility for transportation of gas to the Supply Point;
 - Amendment – the process to allow a Shipper to request a change to the Supply Point details;
 - Withdrawal – the process by which a Shipper ceases to be the Registered Shipper at the Supply Point and withdraws from its responsibility for transportation of gas to the Supply Point;

- Isolation – to allow a Shipper to ensure that gas cannot be offtaken from the System at the Gas Point(s) in question; and
- Siteworks – the processes required to allow Shippers/End User to arrange connection of a new Gas Point to the Distribution System, to increase capacity and to arrange any other appropriate physical alterations to the gas installation.

Capacity

- 3.6 The standard service will be provided by the Distribution Transporter to a Shipper under the DCOP, the terms of which will provide for the instantaneous transfer of a quantity of Natural Gas, properly nominated (if required) and delivered into the Distribution System, subject to such Shipper not exceeding its maximum daily and/or hourly quantities at the Supply Point.
- 3.7 Each Shipper on the Distribution System will register Supply Point Capacity in their name at each Supply Point, using the supply point administration procedures. This Registered Supply Point Capacity will set the Maximum Daily Quantity (MDQ), which cannot be less than the Minimum Supply Point Capacity, a quantity determined by the Distribution Transporter based on recent historical consumption and/or reasonable estimates. The Shipper will also have to register the Maximum Hourly Quantity (MHQ) at each Supply Point, which shall not be less than 1/24th or greater than 1/8th of the MDQ.
- 3.8 Registered Supply Point Capacity is allocated to the Registered Shipper at the relevant Supply Point. It may not be transferred to another Supply Point. Only one Shipper may be the Registered Shipper for a Supply Point at any particular point in time.
- 3.9 Registered Shippers may apply for an increase or decrease to the MDQ and/or MHQ, subject to the terms of the DCOP.
- 3.10 Supply Point Capacity will be automatically allocated to the Registered Shipper with effect from the start of the new Gas Year, subject to any adjustments to the quantity of capacity as set out in the DCOP (such as a revised Minimum Supply Point Capacity, Shipper or Distribution Transporter adjustments).

Capacity Overruns

- 3.11 If a Shipper exceeds its Registered Supply Point capacity on any Day at a Supply Point, it will be subject to Overrun Charges. Additionally, following a succession of overruns, the Distribution Transporter may increase the Registered Supply Point Capacity to the maximum quantity offtaken by that Shipper at that Supply Point.
- 3.12 It is proposed to have a 'soft landing' for overrun charges. This would mean that no overrun charges would be applied in respect of

a Supply Point. The 'soft landing' will apply for a period of up to one year from the date of implementation of the DCOP.

- 3.13 Only overruns in excess of 15% above the Registered Supply Point capacity would result in a capacity 'ratchet'. The new capacity level resulting from the 'ratchet' would be charged going forward, but would not be retrospective.

Nominations

- 3.14 Ordinarily, no Nominations will be required under the Distribution Code of Operation (the aggregate nomination for a zone coming under the TCOP). However the Distribution Transporter reserves the right in respect of certain loads which could have a significant local or system effect on the operation of the network to require a Nomination. The appropriate arrangements for such a Nominating Supply Point would be contained in an additional Ancillary Agreement. (For zone nominations see 2.8 and 2.9).

Daily gas Allocations

- 3.15 The quantity of Natural gas offtaken at each eligible Gas Point will be measured on a daily basis. Allocations will be based on these measurements.

Balancing

- 3.16 No balancing charges will be incurred under the DCOP. The Distribution System is a "pull only" system where the offtake of gas at Distribution Exit Points is deemed to be exactly the same as the offtake from the Transmission System at the Entry Points to the Distribution Zone for each Shipper.

Distribution Shrinkage

- 3.17 Distribution Shrinkage costs will be included as part of the Distribution transportation charges. As such, no specific shrinkage related terms and conditions are included in the DCOP.

System planning and maintenance

- 3.18 Scheduled Maintenance will be planned by the Distribution Transporter so as to minimise, where practical, any disruption to, or curtailment of, the Distribution System or the provision of the Standard Service to Shippers.
- 3.19 The Distribution Transporter will use reasonable endeavours to liaise with the Transmission Transporter with the aim of achieving the co-ordination of the reinforcement and development programme for the Distribution systems.

Measurement and testing

- 3.20 The Distribution Transporter will be responsible for the installation, maintenance and operation of all metering equipment. Each TPA Gas Point will have appropriate equipment needed to send daily metered consumptions to the Distribution Transporter.

Emergencies and throughput restrictions

- 3.21 The DCOP makes provision for addressing emergencies, including Emergency Procedures, Emergency Contacts and Exit Control.
- 3.22 The Distribution Transporter shall at all times ensure that the integrity of the Distribution System is preserved. This may require the curtailment of service on the Distribution System (or any part thereof) whenever local and/or network-wide circumstances so demand.
- 3.23 During declared Difficult Days and/or Restricted Capacity Days, the Distribution Transporter may restrict the aggregate offtake rate by Shippers and/or restrict the offtake rate at a particular Supply Point(s) to a uniform offtake rate and/or allocate the restricted capacity in a fair and not unduly discriminatory basis.

Invoicing and Payment

- 3.24 Each month, the Distribution Transporter shall submit a Monthly Invoice to each Shipper no later than 10 days after the start of the month regarding the previous month, showing the amounts payable by that Shipper.
- 3.25 Each Shipper shall pay the sums set out in the Monthly Invoice by the defined Due Date. Allowance is made for bona fide queries or disputes.
- 3.26 Distribution transportation charges will be based on published distribution tariffs applied to the capacity and gas throughput at each Supply Point.

Modifications to the Interim DCOP

- 3.27 Either the Distribution Transporter or the Shippers may propose Modifications to the Interim DCOP in accordance with the provisions of the DCOP. Consultations in relation to the proposed Modifications will be in accordance with the provisions of the DCOP, the regulatory regime and the guidelines in place at the time. Agreed Modifications to the DCOP will be subject to the approval of the CER.