



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Summary of Responses Received to the  
Consultation Paper on a  
Transmission Licence for Natural Gas  
16<sup>th</sup> April 2003**

**A Summary Paper**

**14<sup>th</sup> August 2003**

**CER/03/200**

## **Background**

Under the Gas (Interim) (Regulation) Act 2002 (“the Act”), the Commission for Energy Regulation (“the Commission”) assumed functions in relation to the regulation of the natural gas market in Ireland. The Commission is charged with the duty to carry out its functions in a manner, which it considers protects the interests of final customers and does not discriminate unfairly between licensees.

Section 16(1) of the Act provides that the Commission may grant to any person the licences that the Act requires that person to hold in order to carry out the transmission, distribution, storage or supply (including shipping) to certain customers of natural gas. The licensing of entities wishing to engage in such activities allows the Commission to regulate those entities.

On the 16<sup>th</sup> April 2003 the CER published a document for consultation entitled “Transmission, Distribution and Supply Licences for Natural Gas - A Consultation Paper”. The Act provides for the licensing and regulation of the separate activities of transmission, distribution, storage and supply and establishes rules for important aspects of the conduct of vertically integrated natural gas undertakings. The draft licences seek to provide a detailed set of behavioural rules, in particular recognising the need to prevent the leveraging of monopoly power from gas transmission and gas distribution activities into the competitive activity of gas supply.

This document summarises the comments received regarding the Transmission licence.

## **Respondents**

The Commission received submissions from two respondents regarding the transmission licence. The Commission would like to thank all respondents for their valuable input into the process.

## **General Comments**

The Commission received a number of general comments concerning the transmission licence.

- One respondent questioned the number of Codes required to be produced by Bord Gáis in compliance with the licence provisions. Another respondent suggested a further two Codes to be produced by the Transmission licensee.
- In relation to the licence’s financial provisions, one respondent suggested that the licence should include a provision for Bord Gáis to recover its costs.
- One respondent questioned the number of ‘discretionary powers’ awarded to the CER by the licences, including by conditions 30, 22 and 27.

- One respondent suggested that the Condition 29, concerning the CER levy should refer to a published methodology.
- In relation to the GPRO, one respondent suggested that significant incremental cost would be incurred in transferring this function from the DBU to the TBU. One respondent proposed that the model of the ring-fenced MRSO in electricity be followed for the GPRO.

The Commission also received a number of comments concerning the licences in general. These are considered in the Summary of Responses to the Shipping/Supply Licences (CER/03/194) published on the 7<sup>th</sup> of August.

### **Specific Comments**

The following table presents the specific comments made on individual licence conditions.

Condition Number	Description	Comment
1	Interpretation and Construction	<p>It was submitted that the terms “chronically sick”, “vulnerable” or “disabled” seem more relevant to Distribution. These terms did not appear in the document.</p> <p>One respondent proposed that a pressure should be included in the definition of “distribution system” which is consistent with the minimum pressure for a Transmission System.</p> <p>One respondent proposed that the current definition of gas fitting is not relevant to Transmission Systems as the appliances referenced would only be associated with Distribution Systems. Gas fitting is not a common term for Transmission Systems.</p> <p>It was proposed that the definition of “network emergency” should be amended to also include “any fault condition which could potentially endanger people or buildings”.</p> <p>It was proposed that the definition of “relevant safety requirements” would be clearer if the definition gave an example of a designated body, such as NSAI/IS.</p>
3	Connection to Gas Fittings	<p>It was suggested that this Condition should be entitled “Connection to Transmission Systems”. This would allow the condition to then refer to Standards requirements for the design and construction of the connection, including the use of competent personnel.</p>
4	Efficient procurement of assets and services	<p>One respondent queried how the obligation to procure effectively will be enforced.</p>
5	Relevant	<p>It was proposed that “Asset”, in the context of an Asset register, should be</p>

	Assets	<p>defined so that it is clearly understood what level of detail is required. Current understanding is that it will refer to Assets at a high level, e.g. list of pipelines and associated installations, and not an itemised list of all equipment.</p> <p>One respondent requested that the time period for updating the Asset Register be specified. That respondent proposed an annual update.</p>
7	Detection and Prevention of theft of natural gas	<p>One respondent proposed that this requirement is more relevant to Distribution Systems. The analogy for Transmission would be to compare the volume in and the volume out of the Transmission Network.</p> <p>One respondent proposed that this condition be extended to include an obligation to reduce the level of shrinkage gas.</p>
8	GPRO	It was proposed that the model of the ring-fenced MRSO in electricity be followed for the GPRO.
9	Co-operation with the GPRO	It was proposed that, where the Licensee is not assigned the GPRO role, then they should be permitted to comment on the draft Code of Practice developed by the GPRO.
10	Provision of metering and data services	One respondent clarified that the current practice in Transmission is to provide metering as part of a Transmission Connection. It is not clear if this condition changes that practice.
11	Long term Development Statement	<p>In relation to 11.5., on respondent questioned the legal implications of the Commission permitting the Licensee to release information pertaining to a person, who subsequently takes legal action against the Licensee.</p> <p>On respondent emphasised the need for the licensee to provide clear justification for any system expansion, given that shippers must pay for such expansion.</p>
12	Transmission System Standards	In relation to 12.1, it was proposed that the timescale to produce a “Transmission System Standard” should be discussed and agreed with the Licensee, to ensure that it is reasonable.

		<p>One respondent questioned the criteria to be used by the Commission to determine the acceptability of the draft “Transmission System Standard”.</p> <p>One respondent expressed concern that the licence would require duplication of work undertaken by the GTSC. Paragraph 12.5 requires the “Transmission System Standards” document to cover design, construction, operation and maintenance (areas already covered by IS 328). It was suggested that the requirement should also state “where possible, appropriate National Codes and good industry practice should be taken into account”. This would then make the “Transmission System Standards” a series of umbrella documents, which would refer, where possible, to existing appropriate documents.</p> <p>It was proposed that it would be more accurate to require personnel to be competent, rather than to be trained to an acceptable level.</p> <p>Where the Licensee sub-contracts work, it would be more appropriate to say that the Licensee should review the Competency information for sub-contractor personnel, and check that the sub-contractor has a quality procedure for ensuring that only competent personnel are used.</p> <p>Clarification was sought as to the purpose of the Commission requesting additional information in the Compliance Statement.</p> <p>In relation to 12.9, one respondent suggested that the review of the “Transmission System Standards” be performed annually, rather than periodically.</p> <p>Regarding 12.10, clarification was sought as to what criteria will be used by the</p>
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		<p>Commission to determine if changes to the “Transmission System Standard” are acceptable. In approving the Standards what responsibilities would be taken by the Commission and what responsibilities would the Licensee have in respect to the completeness and accuracy of the Standards?</p> <p>Clarification was sought as to whether the requirement that the licensee revise the Standards as may be specified by the Commission makes the Commission responsible for the Standards, as the requirements are being enforced on the Licensee.</p> <p>Relating to 12.12, one respondent proposed that the Licensee should be able to implement the Standards in different ways, providing the intent of the Standards is satisfied, thereby permitting the use of auditable engineering judgement.</p> <p>Licensee is required to publish the Standards. There is no statement that the correct application of the Standards is the responsibility of the natural gas undertaking, and that the Licensee which issues the Standards does so with no liability.</p> <p>It was further suggested that BGE be designated to produce the planning standards, and that these standards be approved by an independent expert.</p>
13	Operating Security Standards	<p>It was submitted that the term “Operating Security Standard” should be defined.</p> <p>It was suggested that the “other industry parties” be amended to specifically include Shippers.</p>
14	Network Emergency Manager	<p>Clarification was sought as to the Roles and Responsibilities of the Network Emergency Manager.</p>
15	Safety	<p>It was submitted that the time period to develop a safety framework document</p>

	Framework	<p>should be discussed and agreed between the Commission and the Licensee, to ensure that it is reasonable. One respondent proposed that the requirement to report annually is unnecessarily costly. As an alternative a 3 year review was proposed.</p> <p>It was submitted that “Safety Framework” is not concisely defined and that the scope of the Safety Framework differs from that detailed in Condition 12. It appears that the term Safety Framework is actually a Safety Case, if this is so then the latter term should be used as it is more common.</p> <p>The text of para 2(c) suggests this is in reference to gas appliances used by the Customer. If this is the case then its relevance to Transmission is not understood.</p> <p>In relation to para 2(f), the term risk assessment is not defined, and can have a wide range of meanings. Also, “natural gas activities” is subjective; Is this intended to mean activities performed by the Licensee, or external activities which could affect pipeline safety, or something else?</p> <p>In relation to para 3, the requirement to consider ALL generally accepted practice is unclear – does this mean every accepted practice in all parts of the world?</p> <p>The term best practice is not defined. If it is taken literally, then it requires the Licensee to follow practices which are bettered by no Operator in the world. A more practical term would be “good practice”, where the comparison is then with Operators with a good safety record, and operating in a similar regulatory environment.</p> <p>In relation to paragraph 4, the 12 month audit requirement is onerous; the</p>
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		<p>requirement for an additional audit by the Commission appears excessive.</p> <p>It was suggested that the initial Safety Framework document be audited by an independent expert.</p>
16	Interaction with other Natural Gas Undertakings	<p>It is unclear if the provider of the emergency response is the Network Emergency Manager or the provider of an emergency response service.</p> <p>There are no details of how the contributions to the emergency response service are to be apportioned, e.g. what is the contribution sensitivity to the number of times which the service has been used?</p> <p>One respondent suggested that this condition should include an obligation for the provision of information between the pipeline system operators.</p>
17	Overall standards of performance of the Transmission Business	<p>In relation to 17(1), there is no information as to what parameters are to be performance-measured. This respondent proposed that the information requirements be proportionate, recognising the cost involved in the provision of information.</p>
18	Access to land/premises	<p>The relevance of a “Code of Practice for access to land or premises” to Transmission was questioned.</p>
19	Customer service code, complaints handling procedure and disconnection code of practice.	<p>The appropriateness of a Transmission Customer Service Code was questioned, as was that of a Disconnection Code of practice for premises.</p> <p>One respondent sought clarification of the timeframe for publication of this code, and for this document to be reviewed by an independent expert.</p>

20	Preparation, review of and compliance with codes of practice, etc.	<p>What are the respective responsibilities for the Commission and the Licensee when the Commission has requested specific changes, to Codes of Practice or when the Licensee has proposed changes which the Commission has then approved?</p> <p>If the Commission requests that the Licensee make changes to the Codes or Procedures will the basis of such changes be on good industry practice / developments in National and International Codes?</p>
22	Ring-fencing of the Transmission business and restriction on use of certain information	<p>One respondent requested certainty on how this provision would be policed.</p> <p>Another respondent suggested the imposition of business separation requirements on other non-BGÉ licensees to avoid discrimination.</p>
27	Prohibition of Cross-subsidies	<p>One respondent sought clarity as to how this would be policed, and requested that the Commission give immediate clarification as to what it considers to be a separate business.</p>
31	Codes of Operations	<p>It was proposed that BGÉ be required to produce a code for the technical operation of its system.</p>