



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**SECONDARY CAPACITY SALES  
OFFERED BY BORD GÁIS ENERGY SUPPLY:  
A BACKGROUND NOTE AND CONSULTATION PAPER**

**3<sup>rd</sup> March 2006**

**CER/06/023**

**Table of Contents**

1 Introduction ..... 3

1.1 Background ..... 3

1.2 Timing ..... 4

2 BGS Proposal ..... 5

2.1 Offering Capacity..... 5

2.2 Procedure for Curtailment ..... 5

2.3 Selection of Parties for Curtailment ..... 5

2.4 Notice Period for Curtailment ..... 5

Appendix 1. Secondary Capacity Pricing. .... 6

# 1 Introduction

## 1.1 Background

Under the Gas (Interim) (Regulation) Act, 2002, the Commission for Energy Regulation (“the Commission”) is responsible for regulating charges in the natural gas market. This includes the functions of gas transmission, distribution and supply to final customers.

In approving the natural gas supply tariffs that Bord Gáis Energy Supply (BGS) can charge its customers in the non-daily-metered sector, the Commission first examines BGS’ submission on costs of service to determine its revenue requirement for the following year.

Following examination of (and public consultation on) BGS’ submission in September 2005, the Commission issued its Direction CER/05/175, *Final Direction on Bord Gáis Energy Supply Revenue and Tariffs for Domestic and small Commercial and Industrial Customers (Non-Daily Metered Market)*. This direction set out BGS allowable revenues and for the period 1<sup>st</sup> October 2005 to 30<sup>th</sup> September 2006.

In CER 05/175, the Commission directed that, in the interest of competition and mitigating tariff increases, BGS should make available spare (NDM) secondary capacity, to all shippers/suppliers (see Appendix 1).

The Commission also required that the offer and curtailment of such capacity should be:

- on a non-discriminatory basis;
- in accordance with the revised pricing structure set out in CER/05/175; and
- in a manner that enables BGS, under the Unified Code of Operations, comply fully with any instructions properly issued by the Transporter.

Based on the above, the Commission requested BGS to submit for approval the rules and procedures that will apply:

- to offer secondary capacity to interested shippers/suppliers, including the amount to be offered;
- to curtail inter-book and third party capacity transfers in the event that secondary capacity is needed back for use in the NDM sector;
- to select parties to be curtailed in the event that curtailment is required; and
- the notice period prior to interruption and method of notification.

BGS has provided a submission entitled ‘*Proposed Procedure for Offers and Interruption of NDM Secondary Capacity Sales*’ to the Commission and this is now published for consultation and comment from interested parties.

The Commission is particularly interested in comments relating to the offer and curtailment of secondary capacity.

## **1.2 Timing**

Interested parties are invited to comment on the proposals made by BGS before close of business on 24<sup>th</sup> March 2006.

If any aspect of a submission is to be treated as confidential, this should be marked as such, and included as a separate appendix. The Commission will publish its final decision no later than [14<sup>th</sup> April 2006].

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## **2 BGS Proposal**

The following points summarise the main points which are addressed in BGS' proposal which is published separately for consultation with this background note.

### ***2.1 Offering Capacity***

BGS will offer Interruptible Onshore capacity on a first-come first-served basis, up to an amount which it reasonably expects to be available throughout the period requested. The same applies to Interconnector capacity, although the expected availability of this product is more limited.

### ***2.2 Procedure for Curtailment***

BGS will initially seek to avoid any curtailment, provided that this does not involve excessive cost. If this is not sufficient, it will seek voluntary curtailments. If neither of these measures is sufficient, it will give due notice of pro-rated curtailments on Shippers. Thereafter, it may accommodate specific requests for re-allocation of curtailments between Shippers.

### ***2.3 Selection of Parties for Curtailment***

The pro-rated curtailment will initially apply to interruptible capacity being used by power generation sites, excluding CHP sites. If this proves insufficient, BGS will then apply pro-rating to Interruptible capacity being used by all other sites. The procedures are in keeping with the interruption procedures under the code of operations.

### ***2.4 Notice Period for Curtailment***

BGS will attempt to give as much notice as possible, but in any case not less than 2 hours.

## **Appendix 1. Secondary Capacity Pricing**

*(Extracted from NDM Tariff Direction 05/175.)*

In the interest of Competition, the Commission requires that interruptible capacity sales shall be available to all shippers/suppliers on a non-discriminatory basis. In a time frame agreed with the Commission, BGS is required to submit for approval by the Commission, the non-discriminatory mechanism BGS shall apply to govern the curtailment of inter-book and third party capacity transfers in the event that secondary capacity is needed back for use in the NDM sector. BGS is to provide quarterly reports on the amount of contracted secondary NDM capacity.

BGS shall offer 12 –month contracts for secondary NDM capacity priced on the following basis:

Winter months:      1/365<sup>th</sup> of the annual capacity tariff per day  
Shoulder months    65% of 1/365<sup>th</sup> of the annual capacity tariff per day  
Summer months     50% of 1/365<sup>th</sup> of the annual capacity tariff per day

The Commission is of the view that BGS may offer shorter term contracts at bilaterally negotiated prices, but that the daily rates must always be higher than those specified above. The terms and revenue streams from such contracts will be provide to the Commission as part of BGS quarterly report on contracted secondary capacity.