



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**CER Direction on NDM Secondary Capacity Sales
Offered by Bord Gáis Energy Supply
and
Summary of Comments Received and CER Response**

9th June 2006

CER/06/110

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1. Introduction

This paper contains the decision of Commission for Energy Regulation, on the Sale of NDM Interruptible Capacity by BGS to all shippers/suppliers of natural gas, on a non-discriminatory basis.

2. Background

In approving the natural gas supply tariffs that Bord Gáis Energy Supply (BGS) may charge its Domestic and Small Commercial and Industrial Customers in the Non-daily-metered Sector, (NDM Sector), the Commission first examines BGS's submission on costs of service to determine its revenue requirement for the following year.

Following examination of, (and public consultation on), BGS's 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's allowable revenues for the period 1st October 2005 to 30th September 2006.

In Direction CER 05/175, Appendix 2 the Commission directed that, in the interest of competition and mitigating tariff increases, BGS should make available spare (NDM) interruptible secondary capacity, to all shippers/suppliers.

BGS provided a submission entitled '*Proposed Procedure for Offers and Interruption of NDM Secondary Capacity Sales*' to the Commission and this together with the Background Note and Consultation Paper CER/06/023 was published for consultation and comment from interested parties on 3rd March 2006

Interested parties were invited to comment on the proposals made by BGS and the Commission before close of business on 24th March 2006.

The Commission received comments from the following companies:

- I. Viridian Energy Supply Limited
- II. Vayu Limited
- III. Flogas Limited
- IV. Bord Gáis Networks

These are discussed in Appendix 1 "Responses to Comments Received on CER/06/023 and BGS's Proposed Procedure for Offers and Interruption of NDM Secondary Capacity Sales"

3. Commission Decision

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 regulating charges in gas transmission, distribution and supply to final customers.

After careful consideration and examination of BGS’s submission in relation to the Procedure for Offers and Interruption of NDM Secondary Capacity and the comments provided by interested parties, the Commission has decided on the following:

3.1. Offer of NDM Secondary Capacity

- A. BGS shall offer NDM Secondary Exit Capacity to third party Shippers/Suppliers on a first-come first-served non-discriminatory basis.
 - a. The amount of Interruptible NDM Secondary Exit Capacity for sale will be dependant on BGS’s calculation of what is available on a given day for that day and on a month to month basis for a given period of up to 12 months;
 - b. this amount to be notified by e mail by BGS each day by 10:00 am, for a given day; and
 - c. by 10:00 am on the first working day of each calendar month, for each period of up to 12 months.
- B. BGS shall offer NDM Secondary Entry Capacity to third party Shippers/Suppliers on a first-come first-served non-discriminatory basis.
 - a. The amount of Interruptible NDM Secondary Entry Capacity for sale will be dependant on BGS’s calculation of what is available on a given day for that day and on a month to month basis for a given period of up to 12 months;
 - b. this amount to be notified by e mail by BGS each day by 10:00 am, for a given day; and
 - c. by e mail by 10:00 am on the first working day of each calendar month, for each period of up to 12 months.

3.2. Criteria for the Interruption of NDM Secondary Capacity

There may be several reasons causing the curtailment of interruptible NDM secondary exit / entry capacity including but not limited to the following:

- a. Any event that necessitates an increase in exit /entry capacity in the NDM Sector
- b. A one-in-fifty winter
- c. A technical difficulty with all or part of the entry capacity
- d. A technical difficulty with all or part of the exit capacity
- e. An unexpected increase in demand within the NDM sector howsoever caused

3.3. Process for Interruption of NDM Secondary Capacity

- A. In the event that BGS anticipates a requirement for an interruption of all or part of the NDM Secondary Capacity, it shall:
 - a. Use its best endeavours to avoid making the interruption by, for example, purchasing additional secondary capacity from the market, however
 - b. BGS shall not contract to pay more for such additional capacity than the revenue it would expect to forego from suspended payments during such an interruption.
- B. Should an interruption prove unavoidable, BGS shall, in the first instance, attempt to achieve the required aggregate capacity interruption by curtailing only NDM Secondary Capacity that has been purchased by the Power Generators, following bilateral discussions between BGS and the affected parties.
- C. Should agreement on the required interruption, between BGS and the affected Power Generators, prove unattainable, BGS shall interrupt all the NDM Secondary Capacity that has been purchased by shippers/suppliers pro-rata to the amount purchased by said shippers/suppliers to achieve the required aggregate capacity.
- D. BGS shall advise each appropriate Shipper/ Supplier of the required curtailment and the expected duration of such curtailment.

3.4. Notice Period for Interruption of NDM Secondary Capacity

- A. The notice period for interruption of NDM Secondary Capacity shall be dependant on specific circumstances pertaining to such curtailment; and
- B. BGS shall endeavour to give as much notice as possible subject to a minimum notice period of two hours.

3.5. Interruption of NDM Secondary Capacity in an Emergency

- A. In the event that an Emergency Interruption may be called by the Transporter this interruption shall be in accordance with the procedures in Bord Gáis Networks Code of Operations Part H and shall have precedence over the procedures as outlined for the management of NDM Interruptible Secondary Capacity; the aforementioned precedence shall remain in place until such time as the Transporter determines that the emergency circumstances no longer apply

3.6. Tariff for Interruptible NDM Secondary Capacity

- A. BGS shall publish a standard form of contract for Interruptible NDM Secondary Capacity by 31st July 2006, which shall include a Pro Forma Appendix, same to be completed on each occasion when Interruptible NDM Secondary Capacity is purchased by a Shipper/Supplier.
- B. BGS shall offer 12 month contracts for NDM Secondary Capacity priced on the following basis:

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

C. BGS shall offer shorter term contracts at bilaterally negotiated prices but in this instance the daily rate must always be higher than those specified above and shall be provided on a non-discriminatory basis.

D. The notice period of 2 hours for interruption of NDM Secondary Capacity with shorter term contracts shall be the same as that for 12 month contracts.

3.7. Recording and Reporting of Interruptible NDM Secondary Capacity Sales

BGS shall be required to keep a record of the following:

- A. all enquiries from Shippers / Suppliers regarding Interruptible NDM Secondary Capacity;
- B. all Contracts signed between BGS and Shippers / Suppliers regarding Interruptible NDM Secondary Capacity;
- C. each time a Pro Forma Appendix is completed and the Shipper / Supplier it is completed by;
- D. the reasons for curtailment and the duration of each curtailment;
- E. the terms and revenue streams from all contracts for NDM Secondary Capacity.

All the above records to be supplied to the Commission by BGS on a quarterly basis; by 31st December, 31st March, 30th June and 30th September of each year.

Appendix 1
Responses to Comments Received on CER/06/023
and

**BGS's Proposed Procedure for Offers and Interruption of
NDM Secondary Capacity Sales**

Introduction

On the 3rd March 2006 the Commission published CER/06/023 and BGS's Proposed Procedure for Offers and Interruptions of NDM Secondary Capacity Sales. The Commission invited comments from interested parties by 24th March 2006. The Commission received a number of comments on various aspects of CER/06/023 and BGS's Proposed Procedure for Offers and Interruptions of NDM Secondary Capacity Sales. This section summarises those comments and outlines the Commission's response.

The Commission appreciates comments received from respondents. In order to preserve the confidentiality of certain submissions, it does not intend to publish the individual responses.

1. Timing of the introduction of NDM Secondary Capacity Sales

Some respondents expressed the view that it had been 12 months since the new Code and Entry / Exit had been introduced and that BGS may have benefited from contracts, during those 12 months, which have now expired and that consequently BGS may have benefited over other suppliers

The Commission's response

The Commission accepts that BGS has not unduly delayed the introduction of this product nor benefited from any such delay. The Commission receives quarterly reports from BGS on secondary capacity sales.

2. Proposed procedure for Offers of NDM Secondary Capacity Sales

Some respondents were concerned about the visibility of the available capacity and requested that the amount of available capacity should be published; the BGS web site was suggested as an appropriate system for publication. It was also suggested that the volume of capacity details should be updated in as close to real time as possible.

Some respondents also sought clarity on what criteria would be used to decide whether NDM Interruptible Secondary Capacity Sales would be available and expressed the view that these criteria should be transparent.

The Commission's Response

The Commission notes the principle of visibility of available capacity and has included provision, in this CER Direction CER/06/110, Section 3.1, for notification to interested parties of the volumes of NDM Secondary Capacity that are available.

Also as stated by the Commission in CER/05/175, BGS will be required to provide quarterly reports, to CER, on the amount of contracted NDM Secondary Capacity.

3. The criteria for interruption of secondary capacity sales

Some respondents contend that interruptions should not be permitted, that the criteria for interruption needs to be transparent and thus needs to be made public and a mechanism for reviewing the curtailment actions by BGS is also required.

The Commission's response

The Commission has requested that Interruptible NDM Secondary Capacity Sales should be offered to all shippers/suppliers as a specific product, therefore the Interruptible NDM Secondary Capacity will be interruptible by BGS should the need arise.

The Commission notes that the criteria for interruption and process for notification of any interruption need to be transparent and therefore has included the criteria in this CER Direction CER/06/110 Section 3.2 and the process for interruption in this CER Direction CER/06/110 Section 3.3.

As stated in CER/05/175, the Commission notes that frequency and duration of any future NDM Secondary Capacity interruptions will partly depend on the amount of capacity transferred out of the NDM. To place a limit on such interruptions would therefore be effectively placing a cap on the amount of capacity that can be sold in 12 month strips. The Commission does not consider this to be in the interest of NDM customers.

4. The Order of Interruption

Some respondents argued against the order of interruption as outlined by BGS and did not accept that there was a comparison between the instance where the Transporter under the Code would interrupt capacity in an emergency situation in the system and the situation where BGS would need to interrupt NDM Secondary Capacity.

Some respondents maintain that, to achieve non-discrimination, all interruptions of NDM Secondary Capacity must be on a pro-rata basis, to the amount purchased by shippers/suppliers, whenever BGS needs to call an interruption.

The respondents also suggested that any decision made by parties to contract on a bilateral basis to share the available capacity is a separate issue to any decision made by BGS to interrupt NDM Secondary Capacity.

Some respondents also requested a worked example of how the interruption process would work in practice and were unsure how BGS would deal with a situation should a shipper/supplier refuse to comply with interruption instructions.

The Commission's response

The Commission notes that all interruptions of NDM Secondary Capacity should be non-discriminatory; and having considered the issue has decided that when an interruption is unavoidable, BGS shall, in the first instance attempt to achieve the required aggregate capacity interruption by curtailing only the NDM Secondary Capacity that has been purchased by the Power

Generators, following bilateral discussions between BGS and the affected parties.

Should agreement, between BGS and the affected Power Generators, on the required interruption prove unattainable, BGS shall interrupt all the NDM Secondary Capacity that has been purchased by shippers/suppliers pro-rata to the amount purchased by said shippers/suppliers to achieve the required aggregate capacity.

The Commission agrees that a worked example would be useful and have included same in Appendix 2.

The Commission will expect counterparties to BGS to respect the arrangements facilitated by this service. Provision will be included in the contract for failure, by counterparties to BGS, to respond to curtailment requests.

5. Steps to be taken before interruption

Respondents agreed with the principle of BGS trying to avoid having to impose interruptions where possible by purchasing additional secondary capacity and further agree that the price paid for such secondary capacity should not be in excess of the revenue BGS would expect forego from suspended payments during any such interruption.

The Commission's response

The Commission notes the BGS proposal to avoid, as far as possible, interruptions through the purchase of additional secondary capacity at a price that will not be in excess of the revenue BGS would expect to forego from suspended payments during any such interruption.

Appendix 2

Worked Example of BGS's Proposed Procedure for Offers and Interruption of NDM Secondary Capacity Sales

