



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Information Paper: Update to CER Decisions on Transmission Exit Capacity Transfers

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Abstract:

In this Information Paper, the CER sets out that the implementation of changes to exit capacity transfers, detailed in the Gaslink Code Modification Proposal 046, will take effect in October 2013 and not in October 2012 as originally stated. In relation to the regulated floor price of BG Energy 'secondary' exit capacity, the seasonal levels of the floor price will be reviewed by the CER as part of a consultation on short-term capacity tariffs. This consultation paper is expected to be published in April 2012.

Target Audience:

Gas Customers, Suppliers, Shippers and Producers

Related Documents:

[Gaslink Code of Operations Modification Proposal 046 Secondary Capacity Transfers](#) Submitted on 6th of February 2012.

[Information Paper: Update to CER Decisions on Transmission Exit Capacity Transfers & Short Term Tariff Analysis \(CER/11/131\)](#) Published on the 18th of July 2011.

[Decision on Transmission Exit Capacity Transfers in the Gas Market \(CER/10/089\)](#) Published on the 17th of June 2010.

For further information on this paper, please contact Jerry Mac Evilly (jmacevilly@cer.ie) at the CER.

1.0 Background Information

In June 2010, the CER published a Decision Paper on Transmission Exit Capacity Transfers in the Gas Market (CER/10/089). In this paper the CER examined the price of BG Energy exit capacity transfers (also referred to as 'secondary capacity') and decided, *inter alia*, that -

- the floor price of secondary capacity for 2011/12 would be increased from 80% to 90% of the average cost of annual strip.
- the floor price for the shoulder and winter months would increase to greater than 80% and 110% respectively.¹ The level for the summer price was not decided upon.
- the CER would cease setting the floor price for BG Energy NDM secondary capacity sales in October 2012, when the transfer of such capacity will no longer be allowed.
- from October 2012 the exit capacity sold by an individual shipper may only be passed to the customer sector for which it was originally booked.

In order to implement the latter two changes, Gaslink produced the Code Modification Proposal 046, 'Secondary Capacity Transfers', which detailed necessary amendments to relevant provisions in the Code of Operations.² As part of the Decision Paper CER/10/089, the CER also committed to carrying out a consultation on the current short-term capacity tariff which would focus on the potential for reducing short term capacity prices in order to provide greater flexibility to shippers.

In July 2011, the CER produced an Information Paper (CER/11/131) in which it was noted that a further consultation on short-term capacity would not take place in 2011 on account of the volume of CER and CAG consultation papers that were ongoing. In light of this decision, it was also stated that the floor price of exit capacity transfers would not be increased for 2011/12 as originally set out in the Decision Paper CER/10/089.

As part of the Common Arrangements for Gas (CAG) project, a consultation paper was produced concerning capacity business rules.³ In response to this consultation paper, a number of shippers stated that the facility to transfer exit capacity should be included as part of CAG. In late 2011 and early 2012, the CER received submissions from some shippers in response to the Code Modification Proposal 046 who raised concerns in relation to upcoming changes to the existing exit capacity regime, as originally detailed in CER/10/089.

¹ Secondary capacity purchased from BG Energy is priced relative to the cost of primary capacity and these percentages refer to the equivalent primary capacity cost.

² This was first submitted in April 2011 and was re-submitted in February 2012.

³ Gaslink and Mutual Energy, Consultation on CAG 2012 Business Rules: Capacity, Revision 1.0, 05/07/2011.

2.0 CER Update on Decision Paper CER/10/089

The CER has reviewed all comments received from shippers in recent months and noted relevant responses to the 2011 CAG Consultation Paper. The CER continues to see serious shortcomings in the operation of the current secondary market regime. However, in recognition of the representations it has received from stakeholders that the CER either revisit, or at least defer the implementation of certain changes from the Decision Paper CER/10/089, the CER has decided to defer its implementation for 12 months, i.e. to October 2013.

Specifically, the CER has decided that –

- the implementation of the Gaslink Code Modification Proposal 046 will take effect in October 2013 and not in October 2012 as originally stated;
- the floor price of BG Energy exit secondary capacity sales for the Gas Year 2012/13 will be considered as part of a CER consultation paper on short-term capacity tariffs. It is expected that this consultation will be published April 2012.