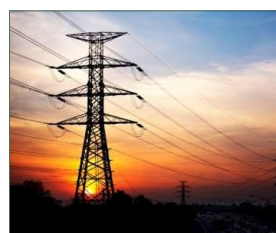


Modifications to Gas Conveyance Licences to Ensure European Compliance

03 March 2016



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This paper proposes modifications to gas conveyance licence requirements to further the implementation of European requirements. In particular the implementation of the forecasting party arrangements in the Balancing Code, the implementation of gas agreements between licensees, and changes to Part 2A of the licences.

Audience

All gas conveyance licence holders, gas supply licence holders, and other key stakeholders.

Consumer Impact

The licence changes are necessary to ensure further compliance. There is unlikely to be much impact on end consumers as a result of these amendments. However, the modifications will provide various benefits.

The Forecasting Party changes will facilitate industry co-operation in the delivery of the Balancing Code. The gas agreements provide a regulatory oversight into compliance issues while Part 2A licence changes help shippers and network users predict their end of year reconciliation payments.

Licence Modifications to Ensure European Compliance

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Acronyms and Definitions

Term	Description
ACER	Agency for the Co-operation of Energy Regulators.
BGE	Bord Gáis Eireann.
BGE (UK)	Transmission company now know as GNI (UK).
BGTL	Belfast Gas Transmission Limited.
CER	Commission for Energy Regulation – regulatory authority in RoI.
EC	European Commission.
GDNs	Gas Distribution Networks and means PNGL, firmus and SGN.
GNI	Gas Networks Ireland.
GNI (UK)	Gas transmission company formerly known as BGE (UK).
NBP	National Balancing Point.
NIAUR	Northern Ireland Authority for Utility Regulation – also known as the Utility Regulator (UR).
NIEH	Northern Ireland Energy Holdings.
NTS	National Transmission System.
NWP	North West Pipeline.
PNGL	Phoenix Gas Distribution Ltd.
PTL	Premier Transmission Limited.
RoI	Republic of Ireland.
SGN	Scotia Gas Networks Northern Ireland Ltd (trading as SGN Natural Gas).
SNP	South-North Pipeline.
TA	Transportation Agreement.
TSO	Transmission System Operator.
UR	Utility Regulator – regulatory authority in Northern Ireland.
WTL	West Transmission Limited.

1.0 Introduction

1.1. Purpose of this Consultation

- 1.1.1 This consultation proposes licence modifications to the gas conveyance licences to ensure ongoing compliance with Regulation (EC) 715/2009 (the Gas Regulation).
- 1.1.2 The consultation covers four areas:
- a) Implementation of Forecasting Party arrangements between PTL and the GDNs. PTL has been designated as the Forecasting Party by the Utility Regulator (UR) as provided by Commission Regulation (EU) No 312/2014 (the Balancing Code). These modifications are explained in section 2.
 - b) Implementation of gas agreements by high pressure gas conveyance licensees required to ensure compliance with a European Network code or a binding decision of the European Commission or ACER. These modifications are explained in section 3.
 - c) Modification to the PTL licence to provide for UR approval of changes to the Transportation Agreement (TA) or any new agreement for the same purpose. This also includes an obligation to review the agreement from time to time. These changes are explained in section 4.
 - d) Modifications to Part 2A of the high pressure gas conveyance licences. This would require the licensees to provide quarterly information on capacity booked to network users. Also includes changes to allow the UR to modify forecast capacity figures where the UR considers that the figures submitted should be altered where evidence suggests it is appropriate to do so. These modifications are explained in section 5.

1.2. Responding to this Consultation

- 1.2.1 We welcome industry views and comments on the outlined proposals. The consultation will close on the 04 April 2016.
- 1.2.2 Your response to this consultation may be made public by the UR. If you do not wish your response or name made public, please state this clearly by marking the response as confidential.
- 1.2.3 Any disclaimer will be taken to apply only to information in your response for which confidentiality has been specifically requested.
- 1.2.4 Detail provided in response to this consultation, including personal information may be subject to publication or disclosure. This is in accordance with the access to

information regimes; primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA).

- 1.2.5 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply. This deals with, amongst other things, obligations of confidence.
- 1.2.6 In view of this, it would be helpful if you could explain to us why you regard the response as confidential. If we receive a request for non-disclosure of the information we will take full account of your explanation. However we cannot give an assurance that confidentiality can be maintained in all circumstances.
- 1.2.7 An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the UR.
- 1.2.8 This document is available in accessible formats. Please contact Roy Colville on 02890316627 or roy.colville@uregni.gov.uk to request this.

2.0 Forecasting Party

2.1. Introduction

- 2.1.1 This paper makes proposals for the modification of a number but not all, of the existing gas conveyance licences. The modification will add a new condition, Forecasting Party Agreement, into each of the affected licences.
- 2.1.2 This will require each licence holder to enter into an agreement that will facilitate the designated forecasting party, Premier Transmission Limited (PTL), in discharging its duties as set out in the Balancing Code. This licence modification is in line with our determination as to the designation of the forecasting party published in September 2015.
- 2.1.3 The condition will be included in the licences of:
- Premier Transmission Limited (PTL);
 - Firmus Energy (Distribution Limited);
 - Phoenix Natural Gas Limited; and
 - Scotia Gas Networks Northern Ireland Ltd.

2.2. Policy Background

- 2.2.1 Many of the provisions of the Balancing Code have been implemented through the established network code modification process. However the UR was required to make a number of additional non network code determinations.
- 2.2.2 Amongst these was the designation of PTL as the 'forecasting party'. The 'forecasting party' will be responsible for providing the Transmission System Operator (TSO) with estimates of each network users offtake at Non Daily Metered (NDM) supply points.
- 2.2.3 In our consultation paper of June 2015 it was recognised that the designation of PTL would facilitate compliance at least cost and with minimum disruption to existing arrangements. The appropriate contractual relationships would need to be put in place to ensure that the forecasting party could comply with the responsibility requirements of Article 39(5) of the Balancing Code.
- 2.2.4 To ensure that appropriate contractual arrangements were put in place we determined that PTL and all the GDNs would have their licences modified to make it a duty to co-operate with the other parties to ensure that all groups meet

their licence requirements. These proposed licence modifications put this duty to co-operate into effect.

2.3. Proposed Change

- 2.3.1 As noted, the purpose of these proposed modifications is to place a duty on the licence holders to co-operate by means of a formal contractual agreement, the Forecasting Party Agreement. This will ensure that PTL, the designated forecasting party, can discharge its duties as set out in Article 39(5) of the Balancing Code.
- 2.3.2 As these are reciprocal licence conditions between PTL on the one hand and the three GDNs on the other hand, the text of the proposed new licence conditions is almost identical. Differences in the drafting of the proposed licence modification reflect the differing roles of the two sets of parties to the Forecasting Party Agreement.
- 2.3.3 Parts 1 to 5 set out the General Duty placed upon the licence holder by the licence condition. Part 1 requires that the licence holder must enter into a Forecasting Party Agreement with other specified licence holders. Whether that is the GDNs in the case of PTL, or other GDNs and the designated forecasting party in the case of a GDN.
- 2.3.4 The relevant objectives of this agreement as set out in part 2, are to facilitate the designated forecasting party in efficiently discharging the duties placed on it by the Balancing Code. It is also to ensure that network users receive timely and accurate NDM supply point offtake forecasts for the purpose of assisting them in minimising their imbalance charges under the transmission network code. Part 3 then sets out the relevant matters which the Forecasting Party Agreement must address in pursuit of these objectives.
- 2.3.5 Part 5 requires that the licence holder in association with counter parties submits the Forecasting Party Agreement to the UR for approval by a date to be determined by the Authority following discussion with the relevant parties. This will ensure that a suitable Agreement will be put in place in a timely manner.
- 2.3.6 Part 4 provides the UR with the vires to act as the body to resolve disputes between the parties to the Agreement. This section of the proposed licence aims to resolve disputes between the parties without recourse to the courts.
- 2.3.7 Parts 6 to 9 provide for the periodic revision and review of the Agreement. Part 6 requires that the parties to the Agreement review it periodically or following a request from the Authority. Part 7 requires that any such review must result in a report being submitted to the UR with the contents of that report also being stipulated.

- 2.3.8 Parts 8 and 9 require UR approval before any revisions to the Agreement are made by the licence holders. Again these parts provide the UR with the vires to ensure that the Forecasting Party Agreement continues to meet the requirements of the relevant objectives as set out in part 2.
- 2.3.9 It is necessary to provide the UR with vires over the Forecasting Party Agreement through licence conditions. The Regulation places duties on the GDNs, TSOs and designated forecasting party with regard to the provision of data on NDM offtake. However, this does not provide the vires the UR requires to ensure that the Forecasting Party Agreement is subject to the sufficient regulatory oversight. Neither can such vires be given to the UR by the Forecasting Party Agreement itself.
- 2.3.10 As previously noted above, the Forecasting Party Agreement is a mechanism to ensure that the requirements of the Balancing Code are met with as little disruption to the existing arrangements for providing NDM offtake forecasts as possible while at the same time ensuring that the designated forecasting party is able to comply with its responsibility requirement under Article 39(5).

2.4. Reason and Effect

- 2.4.1 The purpose of the condition is threefold:
- Requires that the licence holder enters into a Forecasting Party Agreement with other relevant licence holders to facilitate the designated forecasting party to comply with its duties;
 - Requires that the Forecasting Party Agreement is approved by the UR before coming into force; and
 - Requires that the Forecasting Part Agreement is periodically reviewed.
- 2.4.2 The proposed condition will facilitate compliance with Regulation (EU) No 312/2014.

2.5. Costs and Benefits

- 2.5.1 The condition will facilitate the licence holder to achieve compliance with the information provision requirements of Regulation (EU) No 312/2014 in a way that minimises disruption to existing arrangements and has been determined by the UR as representing the least cost compliance option.

3.0 Contract Approval for Gas Agreements

3.1. Introduction

3.1.1 This paper makes proposals for a new condition in the licences of gas TSOs. The condition requires TSOs to enter into agreements when asked to do so by gas shippers to ensure ongoing European compliance.

3.1.2 The condition will be included in the licences of:

- GNI (UK);
- Premier Transmission Limited (PTL);
- Belfast Gas Transmission Limited (BGTL); and
- West Transmission Limited (WTL).

3.1.3 At this stage we do not propose to incorporate this new condition in the licences of the GDNs as it does not seem necessary at present. However, we will reconsider this in future depending on how future European network codes are drafted and whether they place obligations on the GDNs.

3.2. Policy Background

3.2.1 The current licence already has a condition (2.4A) similar to what is being proposed. This condition is restricted to agreements related to interoperability of systems and the NI Network Operators Agreement.

3.2.2 The purpose of the new condition is to extend the licence coverage. This is considered necessary given the potential for new requirements arising from Europe.

3.2.3 At present, further European network codes are still under development and their requirements may involve changes to licence conditions or the licensee's network codes. Both of which are subject to regulatory oversight and approval.

3.2.4 However, there may be occasions when compliance is achieved through third party agreements. In these instances the UR considers it necessary to have a monitoring and approval role for such contracts as a means to ensure ongoing compliance with European requirements.

- 3.2.5 The proposed condition covers any agreement which may be required by another gas transporter for compliance with the following:
- European network codes;
 - Any binding decision of ACER (Agency for the Co-operation of European Regulators); and
 - Any binding decision of the European Commission (EC).

3.3. Proposed Change

- 3.3.1 The new condition will require TSOs to enter into agreements where reasonably required by another Gas Transporter for the purpose of compliance with a European requirement and to amend existing agreements for the same purpose.
- 3.3.2 Furthermore the drafting proposes that new agreements or amendments will require regulatory approval and that licensees will be required to comply with any direction issued by the UR with respect to such agreements. Full drafting is provided in Annex 2.

3.4. Reason and Effect

- 3.4.1 The purpose of the condition is to ensure that where compliance with relevant European requirements is to be achieved by means of agreements between Gas Transporters, that these agreements have appropriate regulatory oversight to ensure compliance by licensees with their European obligations.

3.5. Costs and Benefits

- 3.5.1 System operators are already entering such agreements as covered by these licence changes. This condition merely formalises this process and provides an approval and monitoring role for the UR. Based on the information available, no significant extra cost is likely to be incurred.

4.0 PTL Transportation Agreement

4.1. Introduction

- 4.1.1 The Transportation Agreement (TA) is an agreement between PTL and GNI (UK). This affords PTL a capacity reservation in the GNI (UK) pipeline between Moffat and Twynholm until 2021, with the option to renew the agreement after that point.
- 4.1.2 Changes to the TA are approved by Ofgem under the Interconnector licence it has granted to PTL. However, current licence conditions do not allow the UR to have a role in the amendment of this document.

4.2. Policy Background

- 4.2.1 The TA is extremely important for the NI gas industry as it facilitates direct access for NI to the National Balancing Point (NBP) in GB and has done so since the Scotland-Northern Ireland Gas Interconnector (SNIP) was brought into operation in the mid-1990s.
- 4.2.2 PTL sells the capacity reserved from GNI (UK) together with the capacity in the SNIP to users according to the rules in the PTL code. In this way NI suppliers can ship gas directly from the NBP to the NI balancing point. Without the TA these same shippers would have to ship gas from GB to NI via the Irish balancing point, which is a much less liquid market.
- 4.2.3 In the context of the CAM (Capacity Allocation Mechanism) code the TA also facilitates bundling of capacity between PTL and NGG at Moffat. The arrangements put in place by the NRAs and TSOs in Scotland to implement the CAM code rely on the TA being in place.
- 4.2.4 The present arrangements in the TA are scheduled to end in 2021 and are currently being renegotiated. The licence change proposed will therefore also provide NI regulatory oversight for any subsequent amendments post 2021.

4.3. Proposed Change

- 4.3.1 The proposed condition is similar to the arrangements currently in place for interoperability agreements (condition 2.4A). The condition requires PTL to:
- a) Review the TA from time to time;
 - b) Submit amendments to the UR for approval; and

- c) Comply with any direction issued by the UR.

4.3.2 Full drafting is provided in Annex 3.

4.4. Reason and Effect

4.4.1 The TA is not captured in the current licence but it is a key document which underpins NI's direct access to the NBP market in GB and PTL's compliance with the CAM code. As a result, the TA merits a special condition within the PTL licence.

4.4.2 The changes will ensure UR oversight of the arrangements for access to the GB market as these are in turn reflected in the PTL code of operations which the UR approves.

4.5. Costs and Benefits

4.5.1 Based on the information, no significant extra cost is likely to be incurred. It will however provide the vires for the UR to approve changes to a key agreement for gas security in NI.

5.0 Part 2A Licence Changes

5.1. Introduction

- 5.1.1 Part 2A in the high pressure gas conveyance licences provides (among other things) for the calculation of forecast postalised tariffs, year end actual tariffs, and the reconciliation of the postalised PoT at the end of the gas year.
- 5.1.2 In October 2016 a number of changes were made to the postalised licence conditions, largely as a consequence of the Gas Regulation and by Commission Regulation (EU) No 984/2013 (the CAM network code).
- 5.1.3 These changes implemented separate capacity charges at entry and exit points, a range of new shorter duration capacity products at entry points, and a ratchet charge at exit points where nominations exceeded booked capacity.
- 5.1.4 Further changes to Part 2A will be needed to implement the European network code on tariffs when it is finalised. In the interim the UR wish to ensure that the information feeding into the forecast tariff calculation is as accurate as possible and that network users are provided with information on actual capacity booked during the year. The modifications aim to achieve both these objectives.

5.2. Policy Background

Pre- gas year forecast capacity figures

- 5.2.1 In advance of the gas year, forecast commodity and capacity charges are calculated and forecast figures for capacity and commodity feed into this calculation. It is important to ensure that these forecasts are as accurate as possible.
- 5.2.2 For example, if the forecast for annual capacity is lower than the actual figure at the end of the year the forecast annual tariff will be higher than the year end tariff and vice versa.
- 5.2.3 The difference between forecast and year end tariffs will determine the size of the bullet payment which is either paid to, or due from, gas suppliers at the end of the gas year.
- 5.2.4 In order to minimise any differences between forecast and year end tariffs it is important to ensure that the forecast figures feeding into the tariff calculation are as accurate as possible.

- 5.2.5 Part 2A currently provides that the UR may change the commodity forecasts where the UR considers that the figures submitted may require change taking into account all relevant information and representations. However, there is no corresponding ability to change the capacity forecast.
- 5.2.6 If forecasts are higher than actual figures the supplier pays less during the year but will owe money to the PoT at the end of year to be paid all at once in a bullet payment. Conversely if forecasts are lower than actual figures the tariff paid during the year will be higher and money will be owed to suppliers at the end of the year.
- 5.2.7 In this context it is important that the UR has the same powers to review and alter forecasts for commodity and capacity. There are risks involved in changing the forecast figures for either capacity or commodity but the UR would only take this step where the evidence suggests this is reasonable. The forecast capacity figures cannot be less than the booked level of annual capacity.

Provision of actual capacity booked figures during the gas year

- 5.2.8 It is important that network users are provided with information on actual figures (capacity and commodity) during the gas year. This allows them to have some forewarning about the likelihood of an end of year bullet payment.
- 5.2.9 During the gas year network users are currently provided with information on actual commodity booked. This assists them in understanding any deviations from forecast commodity figures which would impact on the end of year reconciliation. However, no data on actual capacity booked must be provided.
- 5.2.10 In previous years this posed little problem as actual capacity figures was very similar to forecast. This predictability was due to:
- a) The fact that only annual capacity was available;
 - b) The booking behaviour of the GDNs; and
 - c) The fact that power stations had long term annual capacity bookings.
- 5.2.11 Since 01 October much more complexity has been introduced into the postalised system which increases the risk that actual capacity booked will differ from forecast capacity. Changes introduced to Part 2A and to supplier licences for 01 October 2016 seek to manage this risk. However, the UR considers that suppliers should also be provided with information on actual capacity booked during the gas year e.g. when the ratchet mechanism is triggered or shorter duration capacity is booked at entry points compared to forecast. Suppliers can use this information to predict the likelihood of an end of year bullet payment and plan accordingly.
- 5.2.12 The modification proposed would therefore ensure that high pressure gas conveyance licence holders provide suppliers with quarterly information on the

total amount of capacity booked at entry and exit in the relevant quarter for each capacity product.

5.3. Proposed Change

- 5.3.1 This section summarises the key changes. The full text of the modifications proposed is set out in Annex 4.

Pre- gas year forecast capacity figures

- 5.3.2 The provision of forecast information is dealt with in condition 2A 2.3. The modifications proposed to this condition ensure that, as with commodity, the UR may change the capacity forecasts where the UR considers it appropriate.
- 5.3.3 The modification ensures that where the UR is considering a change to the capacity figures, the process to be followed by the UR is the same as for changes to commodity figures.
- 5.3.4 Therefore the modification proposed to 2A 2.3.1(a)(iii) explicitly ensures that the UR is provided with explanation on the forecasts for each capacity products, including the assumptions used. In addition, the obligation on the licensee to provide explanations has been expanded to include forecast capacity figures. This reflects the practice of the licensee in any case (2A 2.3.1(b)).
- 5.3.5 Finally, when considering a change to the capacity forecasts submitted, the UR must take into account the explanations from the licensee together with any representations by other parties. The UR must also give notice of any modification to the capacity figures together with an explanation of the reasons for the modification (2A 2.3.1(e)).
- 5.3.6 In order to give effect to these changes a new defined term needs to be included in 2A 1.1 – 'Capacity Figures.' This term denotes the forecast figures for capacity provided by the licensee and should not be less than the total of annual capacity booked on the last business day in June preceding the gas year.
- 5.3.7 However, we would ordinarily expect this figure to be higher in order to take account of forecast use of shorter duration products at entry. In addition, the term 'Initial Firm Capacity' needs some minor amendment for clarity.

Provision of actual capacity booked figures during the gas year

- 5.3.8 The provision of quarterly information is dealt with in condition 2A 2.3.3. The modifications proposed to this condition ensure that information on actual capacity figures is provided quarterly to the UR and other designated pipeline operators (2A 2.3.3(a)) and to gas suppliers (2A 2.3.3(d)).

- 5.3.9 Information on capacity figures to suppliers must be provided to the same timescales as commodity information (no later than ten business days after the end of each quarter) and must include, for each capacity product, the aggregate sum held by gas suppliers in that quarter.
- 5.3.10 A new defined term is also proposed in 2A 1.1 – 'Quarterly Capacity Quantities.'

Tidy-up changes to Part 2A

- 5.3.11 The modification also proposes a number of tidy-up changes to Part 2A to correct sub-paragraph numbers in condition 2A 2.1.13 and an incorrect cross reference in 2A 2.1.16. It is also proposed to amend 2A 2.5.4(a) so that forecast charges are rounded to 7 decimal places rather than 5. This will align the rounding for capacity and commodity charges.

5.4. Reason and Effect

- 5.4.1 The introduction of entry exit tariffs and new products at entry points on 1 October 2016 increased the complexity of the postalised tariff setting process for the UR, conveyance licensees and suppliers. The licence modification is proposed to ensure that the UR has the powers to manage this complexity more effectively and network users have more information to enable them to monitor actual booked capacity and actual commodity flowed on the postalised system during the gas year.

5.5. Costs and Benefits

- 5.5.1 Based on the information available, no significant extra cost is likely to be incurred. The licensees will be required to provide more information to network users than they do now. However, the additional information is readily available to them and can be easily disseminated in the same quarterly report as the actual commodity figures.
- 5.5.2 The licence modifications will ensure the integrity of the forecasting process in advance of the gas year and provide additional information to network users during the gas year to enable them to better predict their end of year position.

6.0 Next Steps

6.1. Responding to the Consultation

- 6.1.1 Respondents are asked to provide comment and views on the UR proposals and licence changes.
- 6.1.2 The consultation will close on the 04 April 2016. Responses should be forwarded on or before 6pm on 04 April 2016 to:

Roy Colville

The Utility Regulator

Queens House

14 Queen Street

Belfast

BT1 6ED

Email: roy.colville@uregni.gov.uk

Annex 1- Forecasting Party Licence Modifications

Modifications to Firmus, Phoenix and Scotia licences

Condition XX Forecasting Party Agreement

General Duty

XX.1 The Licensee shall, in conjunction and co-operation with all other distribution system operators and the Forecasting Party, prepare, enter into, maintain in force and comply with, an agreement that:

- (a) is designed to facilitate the achievement of the objectives set out in paragraph 2 (the **relevant objectives**); and
- (b) makes provision relating to the matters set out in paragraph 3 (the **relevant matters**),

(the **Forecasting Party Agreement**).

XX.2 The relevant objectives are:

- (a) the efficient discharge of the obligations imposed on the Forecasting Party in its capacity as the person designated by the Authority as a forecasting party for the purposes of the EU Regulation;
- (b) the provision of timely and accurate Non Daily Metered offtake forecasts to Network Users for the purpose of minimising imbalance charges as calculated under and in accordance with the Forecasting Party's Network Code.

XX.3 The relevant matters are :

- (a) such matters as are requisite for the enjoyment and discharge of the rights and obligations of the Forecasting Party as set out in EU Regulation:
- (b) the provision of timely and accurate forecasts, from each distribution system operator to the Forecasting Party, of gas offtake data in respect of each Non Daily Metered Off take on its distribution system.

XX.4 The Forecasting Party Agreement:

- (a) shall provide for any disputes between the parties relating to proposed revisions to the Forecasting Party Agreement to be referred to the Authority for determination; and
- (b) may provide for there to be referred to the Authority for determination such additional matters arising under the Forecasting Party Agreement as may be specified in the Forecasting Party Agreement.

XX.5 The Licensee:

- (c) shall, in conjunction with all distribution system operators and the Forecasting Party, submit the Forecasting Party Agreement to the Authority by a date to be determined by the Authority in consultation with the relevant parties ; and
- (d) shall not enter into a Forecasting Party Agreement which is not approved by the Authority.

Review of the Agreement

XX.6 The Licensee shall, periodically, or at any time on the receipt of a request from the Authority to do so, review in conjunction and cooperation with all other distribution system operators and the Forecasting Party, the Forecasting Party Agreement and its implementation to:

- (a) ensure that it meets the requirements of this Condition XX; and
- (b) to consider whether any alternative agreement would better achieve those requirements.

XX.7 Following any such review, the Licensee shall, in conjunction with all other distribution system operators and the Forecasting Party, send to the Authority:

- (a) a report on the outcome of the review;
- (b) any revisions which the parties agree should be made to the Forecasting Party Agreement (having regard to the outcome of the review); and
- (c) details of any matters (including proposed revisions) in respect of which the parties are in disagreement (which matters may be referred to the Authority for

determination in accordance with the terms of the Forecasting Party Agreement as provided for by paragraph 4).

Revision of the Agreement

- XX.8 Any revision to the Forecasting Party Agreement that is agreed by the parties shall require the Authority's approval before it may be made.
- XX.9 The Licensee shall procure that no modification, amendment or variation is made to the Forecasting Party Agreement without the prior approval of the Authority.

Definitions

- XX.10 In this Condition:

EU Regulation	means Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
Forecasting Party	means Premier Transmission Limited, the legal entity designated by the Authority on 17 September 2015 as the forecasting party for the Northern Ireland balancing zone, pursuant to Article 39(5) of the EU Regulation.
Forecasting Party Network Code	The Premier Transmission Limited Transportation Code
Network User	Any party holding a Gas Supply Licence who is a signatory to the Premier Transmission Limited Transportation Code
Non Daily Metered Offtake	Has the meaning given to that term in Commission Regulation (EU) No. 312/2014

Modifications to Premier Transmission Limited licence

Condition XX. Forecasting Party Agreement

General Duty

XX.1 The Licensee shall, in conjunction and co-operation with all distribution system operators, prepare, enter into, maintain in force and comply with, an agreement that:

- (a) is designed to facilitate the achievement of the objectives set out in paragraph 2 (the **relevant objectives**); and
- (b) makes provision relating to the matters set out in paragraph 3 (the **relevant matters**),

(the **Forecasting Party Agreement**).

XX.2 The relevant objectives are:

- (a) the efficient discharge of the obligations imposed on the Licensee in its capacity as the person designated by the Authority as a forecasting party for the purposes of the EU Regulation (the **Forecasting Party**);
- (b) the provision of timely and accurate Non Daily Metered offtake forecasts to Network Users for the purpose of minimising imbalance charges as calculated under and in accordance with the Licensee's Network Code.

XX.3 The relevant matters are :

- (c) such matters as are requisite for the enjoyment and discharge of the rights and obligations of the Licensee in its capacity as the Forecasting Party as set out in EU Regulation:
- (d) the provision of timely and accurate forecasts, from each distribution system operator to the Licensee in its capacity as the Forecasting Party, of gas offtake data in respect of each Non Daily Metered Offtake on that operator's distribution system.

XX.4 The Forecasting Party Agreement:

- (e) shall provide for any disputes between the parties relating to proposed revisions to the Forecasting Party Agreement to be referred to the Authority for determination; and
- (f) may provide for there to be referred to the Authority for determination such additional matters arising under the Forecasting Party Agreement as may be specified in the Forecasting Party Agreement.

XX.5 The Licensee:

- (a) shall, in conjunction with all distribution system operators, submit the Forecasting Party Agreement to the Authority by a date to be determined by the Authority in consultation with the relevant parties; and
- (b) shall not enter into a Forecasting Party Agreement which is not approved by the Authority.

Review of the Agreement

XX.6 The Licensee shall, periodically, or at any time on the receipt of a request from the Authority to do so, review in conjunction and cooperation with all distribution system operators, the Forecasting Party Agreement and its implementation to:

- (g) ensure that it meets the requirements of this Condition XX; and
- (h) to consider whether any alternative agreement would better achieve those requirements.

XX.7 Following any such review, the Licensee shall, in conjunction with all distribution system operators, send to the Authority:

- (i) a report on the outcome of the review;
- (j) any revisions which the parties agree should be made to the Forecasting Party Agreement (having regard to the outcome of the review); and
- (k) details of any matters (including proposed revisions) in respect of which the parties are in disagreement (which matters may be referred to the Authority for determination in accordance with the terms of the Forecasting Party Agreement as provided for by paragraph 4).

Revision of the Agreement

- XX.8 Any revision to the Forecasting Party Agreement that is agreed by the parties shall require the Authority's approval before it may be made.
- XX.9 The Licensee shall procure that no modification, amendment or variation is made to the Forecasting Party Agreement without the prior approval of the Authority.

Definitions

XX.10 In this Condition:

EU Regulation	means Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.
Non Daily Metered Offtake	Has the meaning given to that term in Commission Regulation (EU) No. 312/2014

Annex 2 - Contract Approval Licence Modifications

Modifications to all High Pressure Gas Conveyance Licences

Condition XX – Compliance with European requirements

XX.11 The Licensee shall enter into such agreement as may reasonably be required by a Gas Transporter for the purposes of:

- (a) facilitating the Licensee's or the Gas Transporter's compliance with a European Network Code; or
- (b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission which relates to the activities of the Licensee or the Gas Transporter.

XX.12 Where the Licensee is a party to an agreement:

- (a) entered into pursuant to paragraph XX.1; or
- (b) which relates to activities that fall within the scope of a European Network Code (or to activities connected to such activities),

the Licensee shall take such steps and do such things as are within its power to amend any such agreement as may be necessary from time to time to:

- (c) comply with the European Network Code;
- (d) give full and timely effect to any relevant legally binding decision of the Agency or the European Commission.

XX.13 The Licensee shall not enter into an agreement, or amend or agree to amend an agreement, to which it is party pursuant to the requirements of paragraph XX.1 or XX.2 unless:

- (a) the agreement or proposed amendment (as the case may) has first been submitted to the Authority by the Licensee; and
- (b) the Authority has given its approval to the agreement or proposed amendment (as the case may be).

XX.14 The Licensee shall comply with any direction issued to it by the Authority requiring it to enter into an agreement, or to amend or agree to amend an agreement to which it is a party, for the purposes of:

- (a) facilitating compliance with a European Network Code;
- (b) giving full and timely effect to any relevant legally binding decision of the Agency or the European Commission relating to the conveyance of gas through pipe-lines or activities connected with the conveyance of gas through pipe-lines.

XX.15 In this Condition:

Agency	means the Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009.
European Network Code	means a network code adopted by the European Commission pursuant to or in accordance with Article 6 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.
Gas Transporter	means any person holding a licence granted (or treated as granted) under: <ul style="list-style-type: none"> (a) Article 8(1)(a) of the Order, (b) section 7 of the Gas Act 1986; (c) section 7ZA of the Gas Act 1986; or (d) section 16(1)(b) of the Gas (Interim)(Regulation) Act 2002.

Annex 3 – PTL Transportation Agreement Licence Modifications

Modifications to PTL licence

Condition XX – Gas Transportation Agreement

XX.16 This Condition applies where the Licensee is a party to the Gas Transportation Agreement.

XX.17 Where this Condition applies the Licensee shall take such steps and do such things as are within its power to:

- (a) review, from time to time and in conjunction with any other person that is a party to the Gas Transportation Agreement, the Gas Transportation Agreement with a view to determining, taking into account the operation of the Gas Transportation Agreement and the Licensee's obligations under this Licence, whether any amendment should be made to it;
- (b) amend the Gas Transportation Agreement as may from time to time be required to:
 - (i) reflect the outcome of a review conducted pursuant to paragraph XX.2 (a); or
 - (ii) comply with a direction issued by the Authority pursuant to this Condition XX; and
- (c) ensure that it does not amend, or agree to amend, the Gas Transportation Agreement unless:
 - (i) the proposed amendment has first been submitted to the Authority by the Licensee; and
 - (ii) the Authority has given its approval to the proposed amendment.

XX.11 In this Condition:

Gas Transportation Agreement	<p>means:</p> <ul style="list-style-type: none"> (a) the Transportation Agreement originally made on 21 August 1996 between BGE (UK) Limited and Premier Transco Limited, as amended or supplemented by any other agreements from time to time; and/or (b) any agreement which, whether in consequence of the expiry or termination of the agreement referred to in paragraph (a) or otherwise, is or is proposed to: <ul style="list-style-type: none"> (i) be entered into between all of the parties
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	<p>to the agreement referred to in paragraph (a); and</p> <p>(ii) include provisions which concern or relate to the same subject matter as the provisions in the agreement referred to in paragraph (a).</p>
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Annex 4 Part 2A Licence Modifications

Modifications to all High Pressure Gas Conveyance Licences

Changes proposed to definitions in 2A 1.1

<u>“Capacity Figures”</u>	<u>shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);</u>
“Initial Firm Capacity”	means the total of all Firm Annual Capacity <u>held by the Licensee’s Gas Suppliers in respect of a Gas Year as at the last Business Day of June preceding such Gas Year</u> and <u>the total</u> Firm Non-Annual Capacity <u>forecast to be</u> held by the Licensee’s Gas Suppliers in respect of <u>[the same]</u> a Gas Year; as at the last Business Day of June preceding such Gas Year;
<u>“Quarterly Capacity Quantities”</u>	<u>means for each Capacity Product the aggregate of Firm Annual Capacity or Firm Non Annual Capacity held by all Gas Suppliers in a Quarter;</u>

Changes proposed to section 2A 2.3 relating to forecast information

- 2A.2.3 Duty to provide forecasts and information relating to the calculation of the Postalised Charges
- 2A.2.3.1 Forecasts and information relating to following Gas Years
- (a) For the purpose of Condition 2A.2.5, the Licensee shall use its reasonable endeavours, in each Gas Year, to provide the following forecasts and information in respect of the next Gas Year (“GY”) and each of the following four Gas Years inclusive (“GY+1” to “GY+4” respectively) (the “Forecast Figures”) to the Authority no later than the last Business Day in June:
- (i) the total of all Forecast Supplier Quantities in a Gas Year (the “Forecast Annual Quantity”) together with:

- (aa) an explanation of the reasons why any Forecast Annual Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Annual Quantity in respect of GY;
 - (bb) a breakdown of the Forecast Annual Quantities in respect of each Exit Point in each relevant Gas Year; and
 - (cc) a breakdown showing the proportions of the Forecast Annual Quantity and aggregated Forecast Supplier Quantities attributable to each Quarter of GY;
- (ii) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(i) were based:
- (aa) which for power stations shall include but not be limited to load factors, generation output and efficiency;
 - (bb) which for Gas Suppliers to distribution networks shall include but not be limited to numbers of consumers and average forecast quantity per consumer;

and in either case shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and

- (iii) for each Capacity Product a breakdown in respect of each Entry Point and Exit Point of —the Initial Firm Capacity in respect of GY and a forecast of Initial Firm Capacity in respect of GY+1 to GY+4 inclusive, together, ~~if applicable, with: an explanation of the reasons why any forecast is higher or lower than the Initial Firm Capacity figures for GY.~~
- (aa) An explanation of the reasons why any Initial Firm Capacity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Initial Firm Capacity in respect of GY;
- (bb) For each Non Annual Capacity Product a breakdown of the Initial Firm Capacity attributable to each Quarter of GY;
- (iv) the assumptions on which the figures provided pursuant to

Condition 2A.2.3.1(a)(iii) were based:

- (b) The Licensee shall use its reasonable endeavours to ensure that all Forecast Figures supplied to the Authority in accordance with Condition 2A.2.3.1(a) are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by its Gas Suppliers and shall provide to the Authority, with the figures provided under Condition 2A.2.3.1(a)(i) the “Quantity Figures”, and 2A.2.3.1(a)(iii) (the “Capacity Figures”), a full explanation as to how they have been calculated. In the event that any such Gas Supplier has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall ensure that the Quantity Figures and the Capacity Figures are as accurate as possible having regard to the information and forecasts available to the Licensee and shall inform the Authority which Gas Suppliers have failed to provide the required information.
- (c) The Licensee shall promptly provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the Quantity Figures and the Capacity Figures.
- (d) The Licensee may fulfil its obligations under this Condition 2A.2.3.1 by providing the relevant information in a joint report with one or more other Designated Pipe-line Operators which shall comply with this Condition 2A.2.3.1 in respect of the Licensee and each such Designated Pipe-line Operator.
- (e) If, in the Authority’s reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the twelfth Business Day in July by parties which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):

- a Forecast Annual Quantity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
- a Initial Firm Capacity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
- the assumptions provided in accordance with Condition 2A.2.3.1(a)(ii) or 2A.2.3.1(a)(iv) are inappropriate;

the Authority may by notice to the Licensee given on or before the thirteenth Business Day in July of the relevant Gas Year modify the Forecast Annual Quantity and /or the Initial Firm Capacity figure, such notice to contain an explanation of the reasons for such modification. The modified figure set out in any such notice shall be substituted for and for all purposes treated as the Forecast Annual Quantity and /or the Initial Firm Capacity figure submitted by the Licensee.

- (f) The Licensee shall, not later than the fifteenth Business Day in July submit the Forecast Figures (adjusted to reflect any modification made by the Authority pursuant to Condition 2A.2.3.1(e)) to the PSA for calculation of the Forecast Postalised Charges in accordance with the PSA Agreement.
- (g) If the Licensee fails to provide the Forecast Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.1(a) the Authority shall be entitled on or after the thirteenth Business Day in July by written notice to the Licensee and the PSA to determine the Forecast Figures. Forecast Figures so determined may at the Authority's discretion either:
 - (i) reflect the Actual Figures in respect of the previous Gas Year; or
 - (ii) be such other figures as the Authority reasonably deems appropriate.

Changes proposed to section 2A 2.3.3 relating quarterly information

2A.2.3.3 Provision of quarterly information

- (a) In respect of each Gas Year commencing on or after the Designation Date, the Licensee shall no later than 10 Business Days after the end of each Quarter in a Gas Year provide:
 - (i) the Authority; and
 - (ii) all of the other Designated Pipe-line Operators;

with a breakdown of the Quarterly Exit Quantities by Exit Point for the relevant Quarter and any other information required to be provided by the Licensee on a Quarterly basis under this Licence, ~~no later than 10 Business Days after the end~~

~~of each Quarter in a Gas Year~~

with a breakdown of the Quarterly Capacity Quantities by each Entry Point and by each Exit Point for the relevant Quarter.

(b) At the same time as the Licensee provides the figures required under Condition 2A.2.3.3(a), the Licensee shall confirm to the Authority, the other Designated Pipe-line Operators and each of the PS Gas Suppliers whether it is aware of or has reason to believe that the Forecast Figures provided in accordance with Condition 2A.2.3.1(a) for the remainder of the current or any future Gas Years will or may be materially inaccurate. If the Licensee suspects such material inaccuracy, it shall provide details of the extent of such inaccuracy, and its reasons for such belief.

(c) The Licensee may fulfil its obligations under this Condition 2A.2.3.3, by submitting, together with one or more other Designated Pipe-line Operators, a joint report which shall comply with this Condition 2A.2.3.3.

(d) No later than [10] Business Days after the end of each Quarter in a Gas Year ~~t~~The Licensee shall provide to each PS Gas Supplier details of:

(i) the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each Exit Point on the Designated Network; and

(ii) the aggregate sum of all Quarterly Capacity Quantities (whether in the form of a joint report or otherwise) in respect of each entry Point and each Exit Point on the Designated Network.

~~the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each Exit Point on the Designated Network.~~

OTHER TIDY UP CHANGES PROPOSED

- 2A 2.1.13 the bullets currently start at (c) and run to (g) but should start at (a) and run to (e)

- 2A 2.1.16 correct the cross references in this condition – it should read:

2A 2.1.16 ~~Without limiting Conditions 2A.2.1.7(a) and (b) to~~The charges referred to in Condition 2A.2.1.134(c) and 2A.2.1.156 shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground.

- 2A.2.5.4(a) Amend so that forecast charges are rounded to 7 decimal places rather than 5 (this will align capacity and commodity rounding).