

Barry Gould

Regulatory Affairs

Gas Networks Ireland

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Email: David.oneill@ofgem.gov.uk

Date: 29 April 2021

Dear Mr Gould,

Approval of the Access Rules proposed by Gas Network Ireland Limited (“GNI”) including direction of approval pursuant to Standard Licence Condition 11A of the gas interconnector licence

GNI proposed its Access Rules on 4 February 2021 to the Authority¹ for approval. These were submitted pursuant to Standard Licence Condition (SLC) 11A of the Gas Interconnector Licence (“the Licence”)².

This decision and attached direction (Annex 1) set out our approval of GNI’s proposal under SLC 11A on the basis that they meet the relevant Access Rules objectives.³

Summary

Gas Networks Ireland (“GNI”, “the Licensee”), submitted its Access Rules to Ofgem for approval on 4 February 2021. These were submitted pursuant to SLC 11A of the Gas Interconnector Licence and were accompanied by the “Tripartite Agreement” in relation to

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² The current version of the gas interconnector licence and SLCs can be found at epr.ofgem.gov.uk

³ The “relevant access rules objectives” are set out in SLC 11A(5) of the licence.

the interconnection point at Moffat between GNI, National Grid Gas (NGG) and GNI (UK) Limited ("GNI (UK)") ("GNI TRI") and the "GNI Access Rules Mapping Table".

To facilitate implementation of the European Network Codes (ENCs), GNI, GNI (UK) and NGG created two tripartite agreements. One agreement is between GNI (UK), NGG and Premier Transmission Limited⁴ ("PTL TRI"); while the other is between GNI (UK), NGG and GNI (i.e. GNI TRI). The latter has been submitted as GNI's Access Rules under SLC 11A. The GNI TRI (and PTL TRI) covers arrangements at the Moffat Interconnection Point (Moffat IP) between the three signatories for (i) how capacity is allocated and bundled, (ii) how nominations to flow gas are made, and (iii) how gas flow quantities are allocated to shippers after the gas flow day. This facilitates implementation of the ENCs in respect of gas flowing from Great Britain (GB) to Ireland.

GNI along with its subsidiary GNI (UK) own the interconnector between Moffat in Scotland to the end of UK Territorial Waters. GNI owns two interconnectors that connect with GNI (UK)'s interconnector pipes at the interface between UK Territorial Waters and Manx Waters and continue to the Irish mainland. The GNI interconnectors form part of the Irish entry-exit system which has an entry point at Moffat. In order to offer Irish entry-exit capacity at Moffat, GNI must use GNI (UK)'s interconnector pipelines between Moffat and the interface between UK Territorial Waters and Manx Waters in combination with its own interconnectors. GNI then contracts directly with Irish shippers to offer Irish entry and exit capacity at Moffat. As a result, GNI (UK) has no direct relationship with Irish shippers despite the Irish shippers flowing gas on the GNI (UK) interconnector between Moffat and the edge of UK territorial Waters.

GNI's proposal

GNI submitted its Access Rules to Ofgem in the form of a "sign-posting" document that highlights where in GNI TRI⁵ each provision of SLC 11A (4) is demonstrated. GNI's Access Rules set out the rules for obtaining and using capacity on the interconnection point at Moffat. The main features of GNI's proposed Access Rules are as follows:

⁴ Premier Transmission Limited (PTL) holds an interconnector licence allowing it to operate the gas interconnector between Twynholm, in South West Scotland and Ballylumford, in Northern Ireland, and is connected to the GNI (UK) interconnector at Twynholm. The PTL interconnector forms part of the Northern Irish ("NI") entry-exit system, which has an entry point at Moffat. In order to offer NI entry-exit capacity at Moffat, PTL must use GNI (UK)'s interconnector pipeline between Moffat and Twynholm in combination with its own interconnector. PTL then contracts directly with NI shippers to offer NI entry and exit capacity at Moffat. As a result, GNI (UK) has no direct relationship with NI shippers despite the NI shippers flowing gas on the GNI (UK) interconnector between Moffat and Twynholm.

⁵ Tripartite Agreement in relation to arrangements at the interconnection point at Moffat:

https://www.gasnetworks.ie/corporate/gas-regulation/service-for-suppliers/GNI-GNI_UK-NGG-Moffat-Tripartite-Amendment-and-Restatement-Agreement-....pdf

- In compliance with SLC 11A(4)(a) concerning the arrangements for maximising the available interconnector capacity, the Access Rules include:
 - **The methodology for the calculation of interconnector capacity** - Annex A (Capacity) of the GNI TRI, includes the calculation methodology for interconnector capacity. The methodology highlighted in Annex A.3 (Transportation Arrangements) states how the Interconnection Point ("IP") Capacity is allocated to shippers by way of auctions. Annex A 1.3 specifies where the Technical Capacity and IP Capacity available for Auction will be published.
 - **The provision of virtual capacity for a counter-flow of gas on the interconnector** – Section 2 (Background and Framework) of the GNI TRI outlines that virtual capacity is only possible for counter-flow. To this extent the Nominations and Allocations in the direction of offtake of gas from the GNI System and delivered to the NGG System are Nominations and Allocations of a greater amount in the opposite direction.
 - **The volume of capacity offered on a firm basis and any additional capacity offered on an interruptible basis to maximise cross-border trade** - Annex A.1 specifies arrangements for bundled capacity; interruptible capacity; and capacity maximisation. It further specifies that the technical capacity is published on the parties' websites and the available capacity is published on the booking platform PRISMA (a European gas capacity trading platform)⁶.

- Concerning SLC 11A(4)(b) (arrangements for users to obtain interconnector capacity at appropriate timescales, including, where relevant, the auction rules and procedures for nominating gas flows against the capacity) the corresponding access rules can be found in:
 - **Annex A (Capacity)** - which outlines transportation arrangements information for obtaining interconnector capacity. It details the arrangements between the NGG and GNI ("Linked Transporters"), the bundling arrangements for capacity held by GNI and that the technical capacity is published on GNI's website.
 - **Annex B (Nominations)** - which outlines nominations' arrangements for nominating gas flows. It states the nomination arrangements, the roles of Linked Transporters, the responsibilities of parties, and how Linked Transporters should deal with exceptional events, gas deficit emergencies and interruptions.

- SLC 11A(4)(c), arrangements for the management of congestion is located in Annex A – Capacity and outlines the following:
 - **Surrender of capacity** - Annex A 3.14, 3.18, 3.19(c).

⁶ PRISMA's website: <https://www.prisma-capacity.eu/>

- **Transfer of capacity between shippers on the secondary market** - Annex A 3.15, 3.18, 3.19(b).
 - **Acknowledgement that capacity will be made available in amounts which comply with the CAM code** - Annex A.3.2.
- Arrangements in the event that the licensee curtails, withdraws or is unable to provide available capacity (SLC 11A(4)(d)) can be found in Annex B (Nominations) of the GNI TRI. Specifically, clause B.3.6(a)) highlights procedures for compiling an Exit Flow Profile in the event of a curtailment, withdrawal, or inability to provide capacity.
 - SLC 11A(4)(e), arrangements for any ancillary services are not required as stated in the GNI Access Rules Mapping Table as GNI being the Transmission System Operator (TSO), balances the GNI Transportation System.
 - The access rules concerning SLC 11A(4)(e) (any general terms and conditions that a user must accept in order to obtain interconnector capacity) are stated in Annex A3.18. Annex A3.18 requires that for any shipper to participate in auctions, they need to sign up to PRISMA terms and conditions. In order to fall within the definition of GNI Shipper for the purpose of the GNI TRI, a shipper must have adhered to the GNI Code of Operations.

GNI's Industry Consultation

The proposed GNI Access Rules were subject to a 28-day public consultation which took place from 18 December 2020 to 29 of January 2021, as required by SLC 11A (6)(a). The consultation was also discussed at the GNI Shipper meetings. No representations were received from any interested party during the consultation period, thereby not necessitating any change to the terms of the proposed GNI Access Rules. The consultation conducted by GNI for the proposed Access Rules can be found on GNI's website⁷.

Ofgem's View

SLC 11A (5) requires the Access Rules to be transparent, objective, non-discriminatory and compliant with the Regulation EC 715/2009 which continues to apply as retained EU law within the meaning of the European Union (Withdrawal) Act 2018.⁸.

⁷ GNI Ofgem Interconnector Licence – consultation on approval of terms for access to the interconnector (gasnetworks.ie): <https://www.gasnetworks.ie/corporate/gas-regulation/regulatory-publications/ofgem-interconnector-licence/>

⁸ "Retained EU Law": Retained EU Law has the same meaning as that given by [section 6\(7\) of the European Union \(Withdrawal\) Act 2018](#).

Upon review of the documents submitted on 4 February 2021 to Ofgem for approval, with the main features as summarised above, the Authority considers the proposed access rules to be transparent, non-discriminatory, objective, and compliant with the relevant legislation.

The GNI TRI outlines that the technical capacity at the Moffat IP is published on the GNI website and available firm and interruptible capacity details are published by PRISMA. Further, the GNI TRI facilitates the revision of the confirmed nominations of gas flows to be more reflective of the actual flows possible when an interruption to virtual reverse flow occurs or ceases. As the standard method to allocate gas flows to shippers is based on confirmed nominations, shippers are billed more accurately and thus objectively for flows of gas in the event of an interruption or cessation of an interruption to virtual reverse flows (Annex B – Nominations).

The GNI TRI reaffirms that the non-discriminatory procedures for the Irish entry-exit system, including but not limited to Balancing and Congestion management, are set out in the publicly available GNI Code of Operations⁹. The GNI TRI recognises that Irish shippers must enter into arrangements with GNI under the GNI Code of Operations in order to use the Irish entry-exit systems.

The GNI TRI facilitates GNI's compliance with the existing regulation on conditions for access to the natural gas transmission networks by providing rules for matching procedures between adjacent TSOs as well as rules governing the communication and processing of nominations.

Direction issued in accordance with SLC 11A (14) of the licence to this effect can be found in the Annex to this letter.

The Authority's decision

After careful consideration of the documents submitted on 4 February 2021 to Ofgem, the Authority considers the proposed Access Rules to be transparent, non-discriminatory, objective, and compliant with any relevant legally binding decision of the European Commission and/or the Agency. We expect GNI to keep its Access Rules under review.

A Direction issued in accordance with SLC 11A (14) of the Licence to this effect can be found in the Annex.

Publication of GNI's Access Rules

⁹ GNI Code of Operations: <https://www.gasnetworks.ie/corporate/gas-regulation/service-for-suppliers/code-of-operations/>

In accordance with SLC11A (15) of the Licence, GNI is required to publish (at least on its website) the approved Access Rules 28 days prior to their coming into effect (the Publication Period), unless the Authority directs otherwise.

If you have any questions relating to this decision, please contact Joshua.oyinlola@ofgem.gov.uk.

Yours Sincerely

David O'Neill

Head of Gas Markets and Systems, ESMS

Signed on behalf of the Authority and authorised for that purpose

ANNEX 1 - Ofgem Direction

Direction issued to Gas Networks Ireland pursuant to Standard Licence Condition 11A (Approval of terms for access to the licensee's interconnector) paragraph 14 of its Gas Interconnector Licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Condition 11A ("SLC 11A") paragraph 14 of the Gas Interconnector Licence ("the Licence") granted or treated as granted under section 7ZA of the Gas Act 1986 ("the Act") to Gas Networks Ireland ("GNI" or "the Licensee").
2. SLC 11A paragraph 9 requires the Licensee to review its Access Rules at least once each calendar year and make such modifications to the Access Rules as may be needed for the purpose of ensuring that the Access Rules better achieve the relevant Access Rules objectives.
3. SLC 11A paragraph 5 requires that the Access Rules be objective, transparent, non-discriminatory, and compliant with the Regulation (EC) 715/2009, which continues to apply as retained EU law (on conditions for access to the national gas transmission networks) and any relevant legally binding decision of the European Commission and/or the Agency (collectively the "relevant Access Rules objectives").
4. Having regard to the relevant Access Rules objectives set out in SLC 11A paragraph 5, the Authority considers that GNI's proposed Access Rules meet the relevant Access Rules objectives.
5. SLC 11A paragraph 6 requires the licensee to take all reasonable steps to ensure that all persons, including those in other Member States who may have a direct interest in the Access Rules, are consulted and allow them a period of not less than 28 days within which to make written representations. The licensee must also furnish the Authority with a report setting out the terms originally proposed in the Access Rules, the representations, if any, made by interested persons and any change in the terms of the Access Rules intended as a consequence of such representations.
6. In accordance with SLC11A paragraph 2, on 4th February 2021, GNI submitted its Access Rules to the Authority for approval.
7. Pursuant to SLC 11A paragraph 15, the Authority directs that the Access Rules be published without undue delay and shall not come into effect earlier than 28 days after publication.

8. The Authority hereby directs, pursuant to SLC 11A paragraph 8, that GNI's proposed Access Rules are approved.

9. The Authority hereby directs, pursuant to SLC 11A paragraph 15 that the Access Rules may be published.

10. This Direction shall remain in effect until the Authority revokes or varies the Direction in writing upon reasonable notice.

11. This direction constitutes notice of the Authority's reasons for the decision pursuant to section 38A of the Act.

Dated: 29 April 2021

David O'Neill

Head of Gas Markets and Systems

Duly authorised on behalf of the Authority