

Mr Stephen English
Gas Market Operator (NI),
Fourth Floor,
The Arena Building,
85 Ormeau Road,
Belfast,
BT7 1SH

Ref: NET/G/JF/656
27 April 2023

Dear Stephen,

RE : NI Network Gas Transmission Code Modification No 16

Thank you for your submission of the Final Modification Report (FMR) No 16 in respect of 'Introduction of Kilroot Exit Point, provisions for Network Exit Agreements and associated changes' dated 6 April 2023. The purpose of the modification is to support and enable the introduction of the new Power Station Exit Point at Kilroot. It also introduces the concept of Network Exit Agreement (NExA), provides for commissioning arrangements by modifying the Exit Capacity Ratchet rules in section 3, provides for the inclusion of Kilroot Power Station into the backstop rotating arrangements, updates the relevant standards for measurement equipment in relation to Exit Points and relevant maintenance provisions.

UR consideration of the Modification Report

The Utility Regulator has considered the information provided in this FMR. We note that the Transporter received two responses to the Initial Modification Report (IMR) and the Transporter has addressed the points raised by both Respondents. We note that both Respondents made comments around short term exit capacity products in relation to the proposed amendments to the ratchet mechanism.

In that regard, we note GMO's view that the modification would not introduce a specific new short term capacity product. And, that the proposed addition of an amended calculation for

commissioning at a new Exit Point in this Proposed Modification, such that the ratchet charge is only applied from the start of the first commissioning month, is consistent with the provision for shippers to book Exit Capacity from a mid-year point and better reflects the initial intention of the ratchet mechanism.

Also, with regard to the Respondent who outlined three alternatives for charges during the commissioning period, we acknowledge that BGTL has already responded in regard to the direct request made, we note that the Transporter has responded to the request to amend the proposed modification from monthly ratchet to daily and we also acknowledge that the Respondent has separately submitted a new code modification which proposes the introduction of a daily exit capacity product for commissioning. We will consider any separate code modification at the appropriate time.

We note the Respondent's comment around inclusion of the form of agreement for the NEXA and we welcome the Transporter's intention to publish a template agreement on its website. We further note that GMO NI considers there should be low impact on the networks of the Designated Pipeline Operators and no impact on Adjacent Transporters and relevant NI Agreements.

We note the Transporter's reasons for recommending approval of this Proposed Modification, summarised as follows:

- It would introduce the new Exit Point
- The proposed amendment to the ratchet mechanism is reflective of the availability of Exit Capacity from a mid-year point. Restricting the amendment to the commissioning period ensures that it does not provide short-term products in a piecemeal way.
- UR's consultation on short term exit capacity products provides an opportunity for interested parties to provide views.
- The forthcoming consultation on the Respondent's Proposed Modification also provides an opportunity for market participants to provide views.
- The proposed approach minimises any potential distortive effects between new and existing industry participants

- The prompt implementation of this Proposed Modification would best support the relevant parties to prepare for commissioning by providing certainty over the regime that will apply.

We are content that the proposed modification would better facilitate the 'relevant objective' as outlined in condition 2.4 of the applicable licences. We agree that these modifications should improve the economic and efficient operation of the NI Gas Transmission Network as described in the FMR.

Decision

As provided for in condition 2.4D.9(c) of the relevant licences we direct the Transporter to implement the modification as set out in FMR No 16 dated 6 April 2023. The modification shall become effective as of the date of this letter.

Yours sincerely



John French
Chief Executive