By Email Only:

shippercommunications@gmo-ni.com

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**Response to Gas Market Operator for Northern Ireland Consultation on Initial Modification Report No.22- Introduction of the Monthly Credit Monitoring Processes.**

To whom it may concern,

Flogas Energy welcomes the opportunity to respond to Initial Modification Report No.22, which proposes the introduction of a formal monthly credit monitoring process under the NI Network Gas Transmission Code.

Flogas Energy, a DCC plc Group business, was established in 1978 and supplies LPG, natural gas and electricity across the island of Ireland. In Northern Ireland, Flogas supplies commercial and industrial customers only. Flogas supports the introduction of a formal monthly credit monitoring framework in principle, as a proportionate and logical evolution of the NI Network Gas Transmission Code and which is in response to changes in market behaviour and risk profiles. We agree that a more dynamic approach to credit assessment can better reflect the profile of shipper exposure throughout the Gas Year whilst also maintaining the core requirement for 80% credit cover.

To operate effectively, the process should i) remain transparent and predictable for Shippers, ii) clearly distinguish between credit shortfalls arising from overdue payment and those driven by forecast recalibration or market volatility, and iii) be supported by timely communication to minimise unnecessary operational disruption or avoidable cost impacts on end customers.

**Overall position and context**

We recognise that the existing credit framework under the NI Network Gas Transmission Code was designed in a market environment characterised by long-term capacity bookings and relatively stable price dynamics. Since that time, the market has evolved significantly, with increased use of short-term capacity products alongside heightened exposure to global gas price volatility.

Against this backdrop, Flogas supports the introduction of a formalised monthly reassessment of credit requirements. We agree that an annualised approach to setting credit does not fully reflect how credit risk crystallises through the Gas Year, particularly where charges are settled monthly and residual exposure decreases as invoices are paid.

We note that the proposed modification retains the established requirement for 80% credit cover while introducing a monthly reassessment of both the Required Level of Credit Support and the Provided Level of Credit Support based on remaining forecast charges to the end of the Gas Year. This more dynamic approach has the potential to provide a fairer and more accurate reflection of credit exposure, while continuing to protect the wider Shipper community.

Whilst this is the case and a first step to improving the capacity booking and associated financial security landscape for shippers, we firmly believe a more fundamental exercise should be undertaken by the Utility Regulator to detail the real exposure for the GMO. In practical terms, the GMO does not have an exposure of 80% credit cover. In our view a more appropriate measure would be to look at options considering the number of days the shipper is overdue on its payment obligations. The requirement in the Republic of Ireland is that shippers should have financial security in place covering 72 days' worth of an annual capacity booking and full cover in place for any shorter-term bookings (daily and monthly).

**Considerations and Key Safeguards**

The increased availability and use of short-term capacity products place a greater responsibility on Shippers to actively manage price, volume and balancing risk. As both a supplier and shipper, Flogas accepts its obligation to hedge its gas volumes appropriately, maintain robust forecasting processes, manage its portfolio prudently and optimise its gas capacity requirements.

We acknowledge that not all drivers of short-term exposure are within a Shipper's reasonable control. Global gas markets have become increasingly volatile, driven by geopolitical developments, LNG supply and demand dynamics and wider macroeconomic conditions. In parallel, commercial and industrial customer consumption patterns are increasingly responsive to price signals, economic conditions and operational requirements. In this context, increased use of short-term capacity products can represent a risk mitigation response rather than imprudent behaviour.

Flogas recognises that the proposed monthly reassessment framework incorporates important safeguards, including continued credit cover for outstanding and not-yet-due invoices, recalculation of PS Code Charges using rolling gas price data, and the explicit inclusion of forecast Reconciliation Payments from August where applicable. These elements help mitigate systemic risk while enabling a more accurate reflection of residual exposure through the Gas Year.

However, we note that more frequent reassessment and shortened remediation timelines may increase operational complexity for Shippers. Clear, consistent and timely communication will therefore be essential to ensure that compliant Shippers experiencing short-term forecast movements are not treated equivalently to those in payment default. Transparent visibility of the drivers behind any revised credit requirement will be critical to enabling Shippers to manage their positions efficiently.

We also consider that, where monthly reassessment results in a reduction in the Required Level of Credit Support as residual exposure declines, improved transparency around this outcome would support efficient credit management, even where no formal notification is required under the proposed rules.

For Shippers that continue to maintain credit cover on an annual or longer-term basis, the practical impact of the proposed modification is likely to be limited. For those seeking greater flexibility, monthly reassessment has the potential to reduce instances where credit remains locked in against risks that no longer exist, thereby helping to minimise unnecessary cost burdens that may otherwise be passed through to end customers.

**Conclusion**

Subject to appropriate safeguards around transparency, proportionality and operational clarity, Flogas believes that Modification No.22 will enhance confidence in the credit framework, support responsible market participation and facilitate efficient access to capacity, while maintaining protection for the wider Shipper community.

Flogas remains committed to constructive engagement as this modification progresses, the further refinement of the wider financial security arrangements and would welcome further dialogue on its implementation.

Yours sincerely,

***Fionnuala Mellon***
***Regulation Affairs Analyst***

*Flogas Energy Group*