

MEMORANDUM

TO: GTAC Stakeholders
FROM: First Gas
DATE: 24 July 2018
RE: Block 1 Outputs - 9 Priority Rights

This memo describes proposed changes to GTAC provisions on priority rights to address the findings of the Final Assessment Paper (FAP) following on from the workshop on Thursday, 12 July 2018 based on the Draft Minutes issued by the GIC on 17 July 2018.

The proposed GTAC drafting changes are provided in appendix 1 of this memo. This drafting is open for consultation until 7 August 2018. Submissions should be made to First Gas via the GIC website. The drafting will be further discussed at the Drafting Review Workshops between 4 and 6 September.

Final Assessment Paper (FAP) findings

The findings of the FAP on priority rights were summarised in the GTAC work programme as follows:

- FG discretion to negotiate supplementary agreements (SAs) could allocate scarce capacity outside PR process (88)
- Transfer between end-users if they change shippers not clear (43)
- Shippers may not give best estimate of capacity and FG may not police this (43)

Position reached

The general agreement was that new SAs should provide access to daily nominated capacity and should be subject to the priority rights regime. There was agreement that this may not be the case for existing supplementary agreements.

There was general agreement that there did not need to be a specific requirement for priority rights to “follow” the end-user. However, drafting would be added to provide that a shipper would use reasonable endeavours to trade PRs if that shipper lost the customer to which the PRs related.

There was general agreement with First Gas’s position that there are appropriate incentives on parties not to over-nominate to hoard capacity for a congested delivery point (i.e. the RPO obligation and the cost associated with over-procurement of PRs). This was subject to a minor change to the drafting (discussed below).

These points are addressed as follows:

- The relationship between new SAs and DNC is dealt with in a separate memo ‘10 Supplementary Agreement Scope’.

- The insertion of section 3.23 in the GTAC reflects that Shippers should trade PRs if that shipper lost its customer(s) at the relevant DP and has no legitimate interest in retaining the PRs.

Points raised during discussion

Item	Addressed by
<p>1. First Gas to consider whether the scope of new SAs should be limited to the price of the transmission service. If SAs are not limited to price, then First Gas will provide a proposal on how supplementary capacity ranks in comparison to other capacity.</p>	<p>The relationship between new SAs and DNC is dealt with in a separate memo '<i>10 Supplementary Agreement Scope</i>'.</p>
<p>2. First Gas was asked to consider the term of PRs.</p>	<p>First Gas considers that the term of PRs is flexible under the current GTAC drafting. The term is intended to be for the likely duration of Congestion at the Congested point.</p>
<p>3. A minor change should be made to the drafting to remove the reference to "warrant" in relation to the requirement that a shipper give its best estimate of capacity and replace with "ensure to the extent reasonably practicable" or equivalent wording. The change would better reflect the relationship between shippers and end-users.</p>	<p>Section 10.4 has been updated accordingly.</p>