

## MEMORANDUM

TO: GTAC Stakeholders  
FROM: First Gas  
DATE: 24 July 2018  
RE: Block 1 Outputs – 4 Allocation Methods

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This memo describes proposed changes to GTAC provisions on allocations methods to address the findings of the Final Assessment Paper (FAP) following on from the workshop on Tuesday, 10 July 2018 as documented in the Draft Minutes issued by the GIC on 17 July.

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 the First gas via the GIC website. The drafting will be further discussed at the Drafting Review Workshops on 4 to 6 September.

### **Final Assessment Paper (FAP) findings**

The findings of the FAP on allocation methods were summarised in the GTAC work programme as follows:

- Range of receipt points and dedicated delivery point allocation methods lack clarity/specificity (18)
- Shippers are not always best placed to make the choice for RPs and DPs with a single injecting party or end-user, it is interconnected parties who have the long term interest in the allocation method, and so they should be permitted to choose it.
- Absence of D+1 agreement under the GTAC to replace the existing one under the VTC.

### **Position reached**

*The general view was that interconnected parties are best placed to choose the allocation method at a receipt point or delivery point as the party with the greatest interest in the allocation.*

This has been addressed in the GTAC through the following amendments:

- recognising that Interconnected Parties are to be parties to the Allocation Agreements (see definitions, section 6.13 and Schedule Four)
- providing that the Interconnected Party may choose and change the allocation rules in Schedule Four.
- providing that the Interconnected Party will give five Business Days' notice of changes in rules and that the only one rule can apply for each day.
- expressly providing that an Interconnected Party can elect to be an OBA Party (reflecting their ability to elect that under their new ICAs) in section 6.1 and 6.9.

## Points raised during discussion

1. *Stakeholders discussed the level of optionality regarding allocation methods. Some stakeholders raised concerns that a number of different allocation methods may have a potential impact on other system users and the operation of the system. First Gas was asked to consider an appropriate qualification on the level of optionality in relation to allocation methods to address the concerns around the potential impact of allocation methods on other pipeline users.*

GTAC Schedule Four section 3.1(b) has been modified to include provisions about how allocation rules are to be determined and applied. These include:

- a preselected list of rules will be provided for in OATIS, including:
  - pro-rata
  - swing
  - directional swing
  - ranking
- other rules may be selected provided that:
  - that the allocation rules must not create circular references
  - that the allocation rules must not adversely affect any other users of the Transmission System