Block 1 Outputs – 4 Allocation Methods

Appendix 1 - Proposed GTAC amendments

*Allocation Agreement* means, for any Delivery Point at which neither the DRR nor an OBA applies, an agreement between the Shippers using that Delivery Point, the relevant Interconnected Party and the Allocation Agent, which complies with the requirements of Schedule Four;

# energy allocations

## Receipt Quantities under an Operational Balancing Arrangement

* 1. The Interconnected Party at a Receipt Point may elect whether OBA applies at a Receipt Point. Where an OBA applies at a Receipt Point, a Shipper’s Receipt Quantity will be its Approved NQ.

## Receipt Quantities under a Gas Transfer Agreement

* 1. For all Receipt Points where an OBA does not apply, a Shipper’s Receipt Quantity will be calculated by the Gas Transfer Agent in accordance with the relevant GTA.
	2. Under any GTA the aggregate of Receipt Quantities allocated to all Shippers using that Receipt Point must equal the metered quantity of Gas on that Day, provided that the GTA will set out the rules the Gas Transfer Agent will use to determine each Shipper’s primary allocation.
	3. Each Shipper and First Gas shall ensure that every GTA includes a commitment by the Gas Transfer Agent to notify First Gas via OATIS of each Shipper’s Receipt Quantities within the times published by First Gas on OATIS. First Gas must give Shippers at least 10 Business Days’ notice of any change to those times.
	4. First Gas will be the Gas Transfer Agent unless all Shippers agree in writing to appoint a replacement and First Gas considers that the replacement will properly fulfil the Gas Transfer Agent’s role. Any replacement Gas Transfer Agent appointed in accordance with this *section 6.5* will retain that role unless all Shippers and First Gas appoint another replacement in accordance with this *section 6.5*. Any Shipper using a Receipt Point must agree to the Gas Transfer Agent at that Receipt Point.

## Secondary Trading of Gas

* 1. Subject to *section 6.8*, any Shipper, OBA Party or First Gas may buy or sell Gas in the Receipt Zone via a GTA, Gas Market or using any relevant trading functionality provided on OATIS, for any reason, including to manage their respective Running Mismatches.
	2. No Gas transfer or trade, whether completed via a GTA, Gas Market or OATIS will be unwound, or the quantities of Gas transferred or traded changed, due to a Wash-up or any other reason.
	3. It is the responsibility of the buyer and seller in respect of any Gas trade to ensure that First Gas is notified of that trade (whether via a GTA, Gas Market or OATIS) before Running Mismatches for that Day are calculated.

## Delivery Quantities under an Operational Balancing Arrangement

* 1. The Interconnected Party at a Delivery Point may elect whether OBA applies at a Delivery Point. Where an OBA applies at a Delivery Point, a Shipper’s Daily Delivery Quantity will be its Approved NQ.

## Delivery Quantities under the Downstream Reconciliation Rules

* 1. Subject to *section 6.11*, at each Delivery Point where the DRR apply, each Shipper’s Daily Delivery Quantity will be determined by the Allocation Agent under the DRR.
	2. Each Shipper agrees that at each Delivery Point where the DRR apply, its “initial” (as that term is defined in the DRR) Daily Delivery Quantity for each Day will be determined:
		1. in accordance with the industry agreement (approved by all Shippers and First Gas and which the GIC approves as being compatible with the DRR) and provided to First Gas each Day in arrears; or
		2. if Daily Delivery Quantities are not provided pursuant to *section 6.11(a)* for any reason, or in the absence of the industry agreement referred to in *section 6.11(a)*, by First Gas as soon as practicable after each Day as the quantity of Gas equal to:

(MQ – SQTOTAL) × DNCSHIPPER ÷ DNCTOTAL

where, for that Day and Delivery Point:

MQ is the metered quantity;

SQTOTAL is the estimated aggregate Daily Delivery Quantity under the applicable Existing Supplementary Agreements (if any), being the sum of:

* + - 1. the quantities derived from the relevant TOU Meters on the Distribution Network, to the extent available; and/or
			2. the approved nominated quantities of Supplementary Capacity, to the extent applicable; and/or
			3. the MDQ set out in each Existing Supplementary Agreement,

provided that SQTOTAL may be no greater than MQ;

DNCSHIPPER is the Shipper’s DNC for the Delivery Zone in which that Delivery Point is included; and

DNCTOTAL is the aggregate DNC of all Shippers for the Delivery Zone in which that Delivery Point is included.

## Delivery Quantities at a Dedicated Delivery Point

* 1. At each Dedicated Delivery Point (except where an OBA applies) there shall be an Allocation Agreement, irrespective of the number of Shippers using it.
	2. Where the Delivery Point is used by:
		1. only one Shipper, First Gas (or, if agreed by First Gas and the relevant Interconnected Party, that Interconnected Party) will be the Allocation Agent and that Shipper’s Daily Delivery Quantities and Hourly Delivery Quantities will be the respective metered quantities; and
		2. more than one Shipper, each Shipper’s Daily Delivery Quantities and Hourly Delivery Quantities will be the respective quantities determined by the Allocation Agent appointed under the Allocation Agreement,

and any Shipper who starts to make nominations in respect of or otherwise uses a Delivery Point to which *section 6.13(b)* applies will promptly execute an Allocation Agreement or become a party to the Existing Allocation Agreement.

* 1. At any Delivery Point where an Allocation Agreement applies, each Shipper using that Delivery Point shall ensure that:
		1. it remains a party to an Allocation Agreement which sets out the allocation methodology acceptable to the Interconnected Party and relevant Shippers; and
		2. the Allocation Agreement requires the Allocation Agent to notify First Gas via OATIS of each Shipper’s Daily Delivery Quantities and Hourly Delivery Quantities within the times published by First Gas on OATIS.

## Delivery Quantities under Supplementary and Interruptible Agreements

* 1. If First Gas enters into a Supplementary Agreement or Interruptible Agreement in respect of an End-user supplied via a Distribution Network, it will advise the Allocation Agent under the DRR of that agreement and its commencement date.
	2. Daily Delivery Quantities under any Supplementary Agreement, Existing Supplementary Agreement or Interruptible Agreement shall be the quantities determined by, and notified to First Gas by the Allocation Agent under the DRR unless the relevant agreement specifies otherwise.

## Finality of Allocation Results and Energy Quantities

* 1. First Gas shall be entitled to rely on the Allocation Result and shall not be obliged to check or correct any Receipt Quantity or Daily Delivery Quantity.

## End-user Right to Allocation Agreement

* 1. Each Shipper acknowledges and agrees that the End-user at any Dedicated Delivery Point has the right, subject to the terms of any existing Gas supply agreement it may have, to buy Gas from more than one Shipper and to determine when, and how much Gas it buys from each Shipper.
	2. Subject to *section 6.15*, if the End-user at a Dedicated Delivery Point wishes to commence buying Gas from a new Shipper while continuing to buy Gas from an existing Shipper or Shippers, all relevant Shippers shall be or become party to an Allocation Agreement consistent with *section 6.18*.

## Title to Gas and Risk

* 1. Each Shipper warrants that it shall have good title to all Gas that:
		1. it injects, or which is injected on its behalf, at a Receipt Point;
		2. it takes, or is deemed to take, at a Delivery Point; and/or
		3. it sells or transfers to another Shipper in accordance with this Code,

free of any lien, charge, encumbrance or adverse claim (as to title or otherwise) and, where it acts as an agent for another person in respect of any of the activities referred to in this *section 6.20*, that person warrants the same.

# schedule four: requirements of allocation agreements

1. **Definitions**

In this Schedule Four:

*Inputs* means the data required to perform the calculations required by the allocation rule or rules (“Allocation Rules”) specified by the Allocation Agreement; and

*Outputs* means DDRs and HDRs corresponding to each Shipper’s Daily and Hourly Delivery Quantities (respectively).

1. **General Requirements**
	1. An Allocation Agreement must:
		1. be in writing, executed by the Allocation Agent, the relevant Interconnected Party and all Shippers (including where there may be only one Shipper at a particular point in time) at the relevant Dedicated Delivery Point;
		2. define the Inputs required by the Allocation Agent and who is to provide them;
		3. set out unambiguous Allocation Rules for determining the Outputs at the relevant Dedicated Delivery Point (and such Allocation Rules must not be circular in nature);
		4. ensure that the Allocation Agent provides the Outputs to Shippers and First Gas in accordance with the times published by First Gas on OATIS.
	2. An Allocation Agreement shall ensure that aggregate Outputs on any Day or in any Hour equal (respectively) the metered quantity for that Day or Hour (such that all the metered quantities are allocated).
2. **Specific Requirements**
	1. An Allocation Agreement must:
		1. provide for the appointment of the Allocation Agent at the relevant Dedicated Delivery Point, who shall be:
			1. where there is only one Shipper, First Gas (or, if agreed by First Gas and the relevant Interconnected Party, that Interconnected Party); or
			2. where there are two or more Shippers, one of those Shippers, as agreed by those Shippers and the relevant Interconnected Party; or
			3. in the absence of such agreement, a person appointed by the relevant End-user and approved by First Gas,

provided that such person must be qualified and equipped to undertake that role;

* + 1. specify:
			1. which Allocation Rule(s) are available under the Allocation Agreement, which are to be selected from those set out on OATIS (or, if not listed on OATIS, may be agreed by the parties to the Allocation Agreement provided they are not circular in nature and do not adversely affect any other user of the Transmission System or First Gas);
			2. which Allocation Rule is to apply with effect from the commencement date of the Allocation Agreement;
			3. that the Allocation Rule applied by the Allocation Agent from time to time is to be determined by the relevant Interconnected Party giving notice to the Allocation Agent;
			4. that the Interconnected Party will provide not less than five Business Days’ notice to all parties to the Allocation Agreement and First Gas if the applicable Allocation Rule is to be changed (including where due to a change in the Shippers using the relevant Dedicated Delivery Point); and
			5. that different Allocation Rules will not apply in respect of the same Day without good reason;
		2. where the Allocation Rules involve the use of Shippers’ nominated delivery quantities, enable the Outputs to be determined irrespective of whether the total of Shippers’ nominated delivery quantities equal the metered quantity for (as the case may be) any Day or any Hour;
		3. set out default rules to be applied by the Allocation Agent where:
			1. the Inputs are not provided or received in full and within the required times or if they contain any deficiency;
			2. the Inputs cannot be calculated for any reason other than a Force Majeure Event;
			3. the Outputs cannot be calculated for any reason other than a Force Majeure Event;
			4. there is a dispute between any parties to the Allocation Agreement as to the Inputs, Outputs or the interpretation of the Allocation Agreement or Allocation Rules, which ensure that:

A the Outputs shall be determined in accordance with the timing referred to in *section 6.14(b)* of the Code; and

B First Gas (as the owner and operator of the Transmission System) is not required to be involved in the dispute; and

* + 1. set out “Fall-Back Allocation Rules” which the Allocation Agent shall apply if a default rule referred to in *paragraph 3.1(b)* fails, to determine each Shipper’s Outputs.