

Response to Utility Regulator Consultation

Proposed Modification of PTL's Licence

To allow Deferral of Capex Allowances 14 May 2021

on behalf of

EP Ballylumford Ltd. and EP Kilroot Ltd.

14 June 2021

Queries to

Commercial Department
Kilroot Power Station
Larne Road,
Carrickfergus
Co. Antrim
BT38 7LX

1. Introduction

EP Ballylumford owns and operates Ballylumford Power Station, the largest gas fired generating plant in Northern Ireland. Our sister company, EP Kilroot owns and operates Kilroot Power Station. Although Kilroot is currently a coal fired station, plans are well advanced to install circa 700 MW of gas fired open cycle gas turbines on the site. This new generating plant will come on stream in 2023. This response is submitted on behalf of EP Ballylumford and EP Kilroot collectively 'EP'.

EP welcomes the opportunity to respond to the Utility Regulator's proposals as set out in the consultation paper 'Proposed Modification of Premier Transmission Limited Licence to allow Deferral of Capex Allowances' dated 14th May 2021.

2. Comments

Whilst EP is supportive of the UR considering ways to reduce the volatility of the Postalisation year-end reconciliation amount, we do not support the proposal to allow deferral of unspent capital due to the deferral of qualifying PTL capital projects from one year into the next. Our reasons are:

- The amount of capital that could be deferred under these proposals could be very significant. Therefore, by not refunding these amounts to Shippers, PTL will effectively gain 'free capital' for a year. This could provide for a perverse incentive to PTL. Equally Shippers will lose out on having capital refunded which they could re-invest in their businesses.
- If a Shipper withdraws from Northern Ireland and deferred capital is not spent in the following gas year and, under the proposal, the capital is refunded, that Shipper will lose out on a refund they would otherwise have been entitled to. Equally if a new Shipper joins, they could get a refund that they had not contributed to.
- The proposal is only in relation to PTL and therefore, if adopted, there will be a disparity in treatment of PTL capital projects and those of the other TSO's.
- The construct of the Postalised regime in Northern Ireland is based on full reconciliation at year end and EP strongly believes this should be maintained.

- With reference to Table 4 in the consultation paper (Reconciliation Amounts):
 - Over the period the total deviation in revenue requirement was less than the total deviation in revenue collected (£12,765k versus £17,686k). This would indicate that the deviation in revenue collected is a more significant issue.
 - There is no indication what proportion of the deviation in revenue requirement is due to deferral of PTL Capital Projects. This would be very useful in allowing respondents to evaluate what impact the proposal would have had in previous years as so provide an indication of the likely impact in future years.