

Stephen Hemphill
 Operations Director
 Mutual Energy Ltd
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 85 Ormeau Road
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Ref: NET/G/RML/159

12 November 2019

Dear Stephen,

Re: BCO Revision Decision

Thank you for the covering letter and query responses of 06 November 2019 regarding four projects not included within the GT17 Shadow Price Control (SPC). The correspondence helpfully clarifies that MEL is seeking a BCO revision of **£759k for GY2018-19** and **£1,099k for GY2019-20** split by project as follows:

Project	2017-18	2018-19	2019-20	2020-21	Total
Ballylumford WBH & AGI Decommissioning	£302k	-£43k	£322k	£20k	£601k¹
Ballylumford WBH & AGI Decommissioning		£601k			£601k
Remedial Works on SNIP Pipeline		£33k	£858k		£891k
CBA of Free Flow at Carrickfergus AGI		£6k	£41		£47k
Belfast Lough Crossing QRA		£119k	£200k		£319k
Totals		£759k	£1,099k		£1,858k

All figures are in March 2019 prices

UR has reviewed the detail provided by MEL and is satisfied that in each case there is well documented project need and supporting evidence.

¹ Allowance for the Ballylumford project has been requested in GY2018-19 despite costs being incurred over a number of years.

UR Decisions

Whilst generally supportive of the proposed actions and spend for each project, UR considers the following points to be pertinent.

- 1) It is unclear why GY2019-20 BCO decisions need to be taken at this time. These costs can be legitimately requested next year [in line with licence requirements] when expenditure is more certain.
- 2) MEL's proposal to combine Ballylumford project costs into a single 2018-19 allowance appears counter-intuitive. The rationale given² by the TSO is that this would help avoid a lump-sum charge and hence lumpy tariffs. However, amalgamation appears to have the opposite effect.
- 3) It is questionable whether the historic spend [£302k in March 2018 prices] on the heat exchangers and 'C' station pipeline offtake would constitute decommissioning costs under Section L of the Direction. UR's assumption is that these represent actual costs as opposed to payments into a bank account for purposes of building up a fund.
- 4) Providing BCO allowance in GY2018-19 for cost already incurred in 2017-18 or to be incurred in 2019-20 does not seem appropriate, particularly for reporting purposes.

Given these issues, UR has decided not to revise the BCO for GY2019-20. UR is also of the opinion that BCO allowances should more properly reflect the forecast timing of actual costs incurred. As such, no provision is made for the Ballylumford project in GY2018-19, either for historic or future costs. Applying the GT17 efficiency results in a BCO revision as follows:

Project	2018-19 UR Allowance Pre-Efficiency	Efficiency Challenge	2018-19 UR Allowance Post-Efficiency
Ballylumford WBH & AGI Decommissioning	£0k	2.7%	£0k
Remedial Works on SNIP Pipeline	£33k	2.7%	£32k
CBA of Free Flow at Carrickfergus AGI	£6k	2.7%	£6k
Belfast Lough Crossing QRA	£119k	2.7%	£116k
Totals	£158k		£154k

All figures are in March 2019 prices

² See response to Q3, 06 November 2019 letter.

The BCO shall be amended by £154k [March 2019 prices] for MEL in GY2018-19. Revision of allowances for these project costs in future years can also be requested by the TSO at the appropriate time, as per licence requirements.

Under Condition 3.1.6 (b)(v) of the licence, the UR hereby confirms a revision to the PTL controllable operational expenditure of **£32k [March 2019 prices]**.

Under Condition 3.1.6 (b)(v) of the licence, the UR hereby confirms a revision to the BGTL controllable operational expenditure of **£122k [March 2019 prices]**. Supporting calculations are provided alongside this letter.

I trust this satisfies your requirements at this time. Should you have any comments, queries or issues regarding this letter, feel free to contact myself or Roy Colville.

Yours sincerely,



Roisin McLaughlin
Head of Network Operations

CC: Gerard McIlroy
Emma Jayne Armstrong
Tanya Hedley