



Emma Todd
Network Directorate
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ER

09th June 2023

Dear Emma,

RE: UR_2023-03-31 Consultation on short-term exit capacity in the gas transmission system in Northern Ireland

Gas Networks Ireland UK (GNI (UK)) welcomes the opportunity to respond to the consultation by the UR on the introduction of short-term exit capacity for gas transmission in Northern Ireland (NI). Having reviewed the consultation, GNI (UK) is supportive of the implementation of short-term capacity at the exit but would like to highlight a few aspects which we hope UR will consider prior to finalising its decision.

Based on GNI (UK)'s reading of the consultation, our support for the proposed decision to introduce short-term products at exit is, in part, on the basis that short-term exit capacity products are also available in ROI. With the introduction of these products at exit for capacity in NI, this will enable a common approach between both the ROI and the NI gas transmission networks. This should support competition and standardisation of products available, particularly in the power sector.

Some key aspects that GNI (UK) would like UR to consider are:

- The overall accuracy of forecasting for short-term exit products.
- The potential impacts on TSO Revenues and associated impacts on the end-of-year Annual Revenue Reconciliation.

GNI (UK) is of the view that any impact on revenue volatilities should be minimised. Therefore, accurate forecasting for short-term exit capacity is critical, as this is required to ensure that any increase to the volatility for the end of year reconciliations is minimised.

As highlighted in the UR consultation, one potential measure which could help to manage or alleviate these concerns is the smoothing of seasonal multipliers. This could potentially reduce

the financial impact of poor forecasting with short-term products and hence reconciliation volatility, bearing in mind the UR's policy of alignment of seasonal factors with those used in ROI by Gas Networks Ireland (GNI) as stipulated by CRU.

GNI (UK), along with the UR, shares the concern for the potential implications and risks for the non-power generation gas users. From a customer perspective, any redistribution of costs from the power sector to distribution sector should also be kept to a minimum.

GNI (UK) agrees with the proposal to replace the ratchet mechanism with a capacity overrun mechanism.

We would be of the view that short-term exit capacity products do not seem well suited to the distribution sector, and it is not clear that their introduction would bring material benefits to distribution. Therefore, a distinction in the exit capacity arrangements between power and distribution sectors is appropriate, and responsibility should be retained for booking a 1-in-20 capacity level for at least the non-daily metered load connected to the respective networks, consistent with the legislative requirement. This can be seen as a security of supply premium which reflects the merit order in the case of a gas supply constraint/emergency.

GNI (UK) welcomes the opportunity to engage with you in the relation to the consultation and is available to discuss any queries you may have at your convenience.

Yours sincerely,



Denis Twomey
Commercial Finance Manager