Roy Colville

The Utility Regulator

Queens House

14 Queens Street

Belfast

BT1 6ED

28th April 2017

**Licence Modifications to Implement Single System Operation**

Dear Roy

Mutual Energy Limited (MEL) is grateful to have the opportunity to respond to this consultation on behalf of its three wholly owned subsidiaries Premier Transmission Limited, Belfast Gas Transmission Limited and West Transmission Limited which hold licences to convey gas granted pursuant to the Gas (NI) Order 1996.

Please find comments on the proposed licence modifications below:

**Single System Operation Arrangements**

As previously communicated, MEL has been clear in its view that Single System Operations should not include a Single Control Room. This is largely because of the contracts in place and MEL’s concerns over costs associated with premature end of such contracts and the implementation costs of a Single Control Room. MEL are also of the view that such a decision can only be made after performing a detailed cost benefit analysis and a gaining a full understanding of the procurement arrangements and potential limitations i.e. ensuring certain cost effective options are ruled out. MEL agree with the Utility Regulator’s decision not to include the Single Control Room obligation in the current drafting. In addition, MEL welcome the clarification in certain sections of licence drafting (i.e. 2.17.3 (d)(i)) that the day-to-day activities in delivering Single System Operation Arrangements does not include Control Room Services and physical pipeline operation. However, whilst this inclusion is welcome, MEL are or the view that further clarification is necessary. The term “Single System Operation” is somewhat confusing in the context of what is actually being delivered. Arguably, the term more related to the physical operation of the network and control room activities rather than the market facing activities that the Contractual Joint Venture will be delivering. To this end, MEL believe it is important that an explicit statement in the introduction section of Condition 2.17 is included, stating that Single System Operation does not include Control Room Services and physical pipeline operation.

**SSO Agreement**

In relation to the requirement for entering into the SSO agreement no later than 2 months prior to the operation of the CJV, MEL has concerns over this deadline. Whilst MEL believe the project is on track to deliver an executed SSO Agreement by this time, MEL is cognisant that the execution of this agreement is dependent on external factors, for example approval by the Utility Regulator. Meeting our licence obligations is of the upmost importance to MEL and we would be concerned that due to unforeseen circumstance or external factors, MEL’s subsidiaries are not in a position to meet the terms of their respective licences. MEL suggest that it would be more appropriate to modify the text as follows:

2.17.4 The Licensee shall, in conjunction and co-operation with every other HP Conveyance

Licensee, take all reasonable steps to prepare and, by no later than a date directed by the Authority, submit to the Authority for its approval a SSO Agreement which meets the requirements of this Condition.

We also note with concern the proposal that NIAUR wish to take on the ability to unilaterally direct changes to the SSO without any process or consultation. This is a very wide power and we do not believe it is suitable for a regulator to take such a direct managerial role.

**Operational Date**

MEL has similar concerns in relation to the operational date of 1st October 2017 within the licence drafting. The delivery of the Single System Operation Arrangements is a complex project with a number of interdependent workstreams, for example the Single Network Code cannot come into effect prior to the execution of the CJV Agreement. The delivery of all of these workstreams are dependent on external factors such as approval of the Utility Regulator for the SSO Agreement and Single Network Code. The delivery of IT systems is subject to a thorough and successful testing period. As mentioned above, meeting our licence obligations is of the upmost importance to MEL, therefore we would be concerned, if for example, the IT system delivery was 5th October 2017 opposed to 1st October 2017. It is important to note that at the time of writing, the project is on track to deliver all of the components for 1st October 2017 and all of the parties involved are committed to taking all reasonable steps within their control to meet the deadline but it is also important to acknowledge the challenges in delivering such as complex project. MEL therefore suggest that in the drafting the “1st October 2017” is replaced by “a date directed by the Authority”.

**Acting in Conjunction**

In relation to condition 2.17.16, which sets out what it means for the TSOs to “act in conjunction”, MEL understand the intent of the inclusion based on the consultation text however believes that the text would benefit from additional clarity. In particular, MEL would welcome clarification in the drafting that there is no change in the liabilities arrangements and that a Licensee will not be in breach of its licence should a circumstance arise (albeit unlikely) where the assistance of another Licensee to meet joint obligation is not forthcoming.

Should you wish to discuss any aspect of our response please do not hesitate to contact me.

Yours sincerely



Stephen English

Gas Contracts Manager