

Appendix to CAG Project Plan (Published 21st May 2008) – Work Stream Descriptions

Single Approach to Gas Quality

This work stream will focus on agreeing a common approach to gas quality North & South so as to enable safe physical flow of gas between the two jurisdictions - currently there is a slight discrepancy in the gas quality standard in each jurisdiction which could have safety implications in the event of gas physically flowing from South to North.

Single Transmission Tariff Methodology

This work stream will focus on agreeing the best approach to harmonising the structure of the tariffs charged to network users across the island. Once the structure is decided, further supports (such as a Single System Administrator & legislative changes) will be required to implement this structure across the island.

Gas Industry Operations

This work stream will focus on agreeing an integrated transmission system operation for the island of Ireland which will harmonise and integrate the processes and systems used to physically transport gas around the system (i.e. from any entry point to any exit point). Part of this work stream will be to determine how the codes of operation can be harmonised in such a manner as to facilitate integrated system operation – the Irish transmission and distribution systems are currently operated by a single operator and governed by a single, unified code, while in Northern Ireland there are currently three transmission system operators and two distribution system operators, each having a separate but integrated code of operations for transmission and distribution of gas within their territory. Once the integrated transmission system operation is decided, further supports (such as a Single System Administrator & Single IT System) may be required to implement this structure across the island.

Connection Policy

This work stream will design, develop & implement a single policy on the island of Ireland towards connection to the transmission system, which will eliminate current discrepancies between the connection policies North & South that may discriminate against customers located in either jurisdiction & may distort investment signals to encourage more investment in one or other jurisdiction.

System Planning & Development

This work stream will agree a common approach to System Planning & Development based on the details of an agreed Joint Capacity Statement & a common security of supply standard.

Joint Capacity Statement

This work stream will focus on agreeing & developing a Joint Capacity Statement on the island of Ireland which will enable the development of an integrated System Planning and Development function. Currently Ireland produces an annual gas capacity statement and Northern Ireland produces an annual Pressure Report (In both cases, the modelling work is carried by Penspan). This will facilitate the optimum development & operation of the system as well as the

common Security of Supply Standard. The Joint Gas Capacity Statement will also be used to support decisions on issues of strategic storage.

Security Standard & Storage

This work stream will focus on agreeing & developing a common security of supply standard on the island of Ireland. Currently each jurisdiction has regard only for its own system security when it comes to planning and developing the systems. This is not the most effective way to plan and develop the systems and benefits can clearly be gained by considering the systems together from a security of supply viewpoint. The work stream will also examine issues relating to strategic & commercial storage of gas on an all-island basis in light of the Joint-Governmental All-island Study on Common Approach to Natural Gas & LNG Storage.

Retail Market Alignment

NB: The timelines for this work stream are at this stage only placeholder dates that may be reviewed as the CAG project progresses.

This work stream will develop a common retail market on the island of Ireland via design, development & implementation of single retail processes and systems. At a high level, the development of harmonised retail processes and systems will involve, among others, the development of harmonised change of shipper, billing and metering processes. Currently both Ireland and Northern Ireland have fully liberalised supply markets but there are some differences in how they operate. Retail Market alignment would result in operating efficiencies, which would facilitate the development of competition for existing and potential market players in both jurisdictions.

Legislation & Licensing

This work stream will focus on the significant amount of legislative & licensing work that is likely to arise out of decisions taken on the agreed common arrangements for gas, especially in relation to the Single Gas Operations, Single Tariff Methodology & Single Gas Quality Standard.

Implementation

Implementation of the agreed all-island common arrangements for gas as developed by the above work streams, including IT systems, training, code implementation & application of tariffs methodology.

Cost Benefit Analysis (CBA)

The CBA outlines the associated costs and benefits in creating Common Arrangements for Gas (as outlined in CAG Memorandum of Understanding) and quantifies where possible the net benefits that are expected to arise from its implementation. The CBA will be further refined as the CAG project develops.