Bord Gáis Networks comments on
"Discussion Paper on the Options for the Gas Operational Regime"
circulated 21st May 2008

Introduction

Bord Gáis Networks (BGN)[1] welcomes the opportunity to submit comments on the above paper and believe that the development of an all island gas market is a welcome development. We look forward to working with and supporting the Regulatory Authorities (RA's) in developing the arrangements under the Common Arrangements for Gas (CAG) Project. We have structured this response to follow the structure of the consultation paper and also include a matrix in Appendix 1 responding to the specific questions raised in the paper.

CAG Vision and Goals (Section 2)

BGN note the minimum requirements for an all island operational regime identified by the RA's in the executive summary. BGN support these objectives and suggest that in addition to these, the following should be considered:

- Single approach to development of new products e.g. inventory, short term and interruptible;
- Single approach to addressing EU and upstream regime developments e.g. NTS Exit Reform and the North-West Gas Regional Initiative;
- Single approach to code modifications and transportation framework development.

[1] Bord Gáis Networks are responding to this consultation as a licensed Asset Owner in RoI, on behalf of BGE(UK) a TSO in NI, and as a service provider to all of the TSO's on the island north and south

All Island System Operation Functions (Section 3)

BGN note the comprehensive list of functions identified by the RA's which are currently performed by the TSO's.

BGN believe that the function of "long term management of the transportation arrangements including product offerings" should form part of the minimum requirements for an all island operational regime.

BGN believe that the function "planning and development of the transmission system on a high level" should be done on an all island basis and support the current initiative of the RA's to produce an all island gas capacity statement.

With regard to the function "collection and disbursement of transportation charges"; BGN believe this issue should be considered further after completion of work on the tariff workstream, as the tariff methodology decided upon will be one of the principle determining factors.

Options for System Operation (Section 4)

BGN note the four options identified in the paper and support arrangements for single system operation of the gas networks on an island wide basis. While a single TSO may be considered desirable, the objectives outlined could be achieved via a Single Services Provider (SSP) which is possible irrespective of which option is chosen.

BGN believe that a SSP solution could be relatively easily implemented with a multiple TSO and dual TSO option.

BGN support the development of SSP arrangements which would be completely transparent and developed with full regulatory oversight.

With regard to the question of a single IT interface, BGN believe that this is desirable and will be facilitated by the implementation of a single Code and the appointment of a Single Services Provider.

Rationalisation of the IT Systems has been identified as one of the areas where significant savings may be made in moving to an all island operational regime.

With regard to emergencies, irrespective of which option for operation is chosen a new all island approach to emergencies will be required.

Network Codes (Section 5)

BGN believe that a single All Island Network Code (AINC) covering both Transmission and Distribution, but also including provisions to facilitate interface with separate Distribution Networks would be the preferred option and would meet the requirements of industry participants North and South.
Licenced Shippers/Suppliers in either jurisdiction would be eligible to accede to the AINC and appropriate governance arrangements would be required for the management of provision of transportation services at a TSO level, and for the management of the code modification process at RA level.

Scope of All Island System Operation and Codes (Section 6)

BGN support the objective of consistent distribution arrangements North and South, but believe however that the focus should be on all island arrangements at transmission level for October 2010.

The requirement for All Island transmission arrangements to a large extent is driven by:

- The requirement for a consistent contractual framework for gas transportation at transmission level North and South for Shippers operating in the SEM;
- The requirement for enduring arrangements to facilitate gas flows in an emergency, North to South and South to North via the South-North Pipeline;
- The requirement for Shippers in NI to access new gas supply sources at Corrib, Kinsale and Shannon LNG;

- The requirement to facilitate new offtakes from the South-North Pipeline in RoI

Absent all island arrangements at transmission level, meeting the above requirements will involve the development of complex cross jurisdictional arrangements, and for Shippers to accede to multiple Codes. BGN believe that this would be less than optimal and support an emphasis on development of All Island transmission arrangements for 2010.

BGN believe that the All Island Transmission arrangements developed for 2010 should not preclude further development of All Island Distribution arrangements at a later date should this be an industry requirement.

Appendix 1

Response to specific Questions posed in the Consultation Paper

Section 2 : CAG Vision and goals	
Q1.	*Are there any other criteria against which to evaluate the options for common operation?*
BGN Response	The criteria identified by the RA's seem quite comprehensive and will provide a good framework for evaluating the options for all island arrangements.
Q2.	*Do you have a view on whether any criteria should be prioritised over others?*
BGN Response	BGN believe that all the criteria listed are important and would place an emphasis on efficient and customer friendly arrangements.
Q3.	*What is your initial view of the costs/benefits of common operational arrangements for shippers/suppliers?*
BGN Response	BGN believe that that costs and benefits identified will make the objectives of the CAG project worthwhile and support the RAs' objective to capture as many of these benefits as possible.
Section 3 : All-island system operation functions	
Q4.	*Which functions should be performed on an all-island basis?*
BGN Response	BGN believe that the following functions should form part of the minimum requirements for an all island operational regime. • Long term management of the market transportation arrangements including product offerings; • Day to day operation of the transportation system; • Balancing the system; • Procurement of fuel; • Emergencies; • Planning and development; • Measurement and end of day settlement and allocations; • Capacity trading; • Connections to the transmission system;

	• Congestion management; and • Provision and development of IT system that interfaces with Shippers.
Q5.	*What is your preliminary view of how transportation charges should be collected and distributed?*
BGN Response	BGN believe that this should be considered after completion of the work on the all-island tariff methodology as this will be one of the key determining factors. BGN support arrangements which are administratively straightforward and if possible avoid requirement for a an independent third party.
Section 4.2: Options for Single System Operation	
Q6.	*How complex would it be to create a single IT interface for nominations with multiple TSOs?*
BGN Response	BGN believe that a single IT interface is desirable and will be facilitated by the implementation of a single Code and the appointment of a Single Services Provider. The appointment of a Single Services Provider (SSP) on an all island basis will be of benefit to Shippers/Suppliers in the following areas: • a common shipper interface; • harmonised day to day scheduling of system gas flows; • single system balancing; • single system planning; and • single approach to security of supply.
Q7.	*What level of IT investment might be needed to create such an interface?*
BGN Response	The level of investment required would be minimised if existing functionality were to be built upon.
Section 4.22 Multiple TSO/TOs with a single service provider	
Q8.	*Should new transporters coming into the market be required to contract with the SSP?*
BGN Response	Any new TSO's entering the market could easily be incorporated into the arrangements developed under CAG including entering into an operational agreement with the SSP. This should not be considered an onerous requirement as all the arrangements would be transparent

	and developed with regulatory oversight.
Q9.	*Would any other steps be required to implement this option?*
BGN Response	Other steps may be identified during the detailed development phase.
Section 4.2.3 Single TSO	
Q10.	*Other than the options outlined, how else might a single TSO be appointed?*
BGN Response	BGN do not agree that the option of appointing a TSO via a regular competition would be an optimal method of TSO appointment. BGN believe that the benefits (if any) of a regular competition for single TSO would be far outweighed by increased set-up costs and costs involved in TSO change-over. BGN believe that efficient operation could be ensured by regulatory oversight in a more cost-effective manner. It should be noted that the arrangements in the South developed pursuant to SI 760(2003) as amended by SI 377(2007) are based on this model whereby the TSO Gaslink sources services from BGN pursuant to a services agreement approved by the Regulatory Authority. BGN believe that any arrangements developed should take cognisance of, and build upon, the existing arrangements.
Q11.	*Would any other steps be required to implement this option?*
BGN Response	Other steps may be identified during the detailed development phase.
Section 4.2.4 Dual TSOs	
Q12.	*Would any other steps be required to implement this option?*
BGN Response	Other steps may be identified during the detailed development phase.
Section 4.3 Other Market Structure Issues	
Q13.	*What investment will be needed to support single system operation?* Investment costs would be minimised by building on existing

	arrangements whereby BGN provide services to all the Transporters on the island. If these arrangements were the basis of an all island operational regime investment would be limited in the main to costs relating to legal contracts and licence changes.
Q14.	*How should emergencies be managed under each option?*
BGN Response	With regard to emergencies, irrespective of which option for operation is chosen a new all island approach to emergencies, and co-ordination between the respective health and safety bodies North and South will be required. While there are significant differences in the markets North and South there are also many areas where arrangements are quite similar. For example arrangements for dealing with emergencies is one such area, and we believe that there are benefits to be achieved by rationalising the approach to emergencies North (NINEC) and South (NEM/NGEM) on an all island basis.
Section 4.4. Assessment of Options	
Q15.	*What is your view of how each option meets the goal?*
BGN Response	BGN note the four options and support arrangements for single system operation of the gas networks on an island wide basis. The Single Services Provider (SSP) solution would make a significant contribution to this goal under all options.
Q16.	*Are there any other costs which will need to be taken into account?*
BGN Response	Other costs may be identified during the detailed scoping of the particular option decided upon.
Section 5.2.1 Multiple Network Codes	
Q17.	*How can we ensure that codes do not diverge over time?*
BGN Response	BGN believe that multiple codes are not an optimal solution and recommend a single Code.
Q18.	*Are there any other implementation issues to consider?*
BGN Response	Implementation issues may surface during the detailed

	scoping phase of the project.
Section 5.2.2 Dual Network Codes	
Q19.	*Are there any clear advantages of this option over multiple codes?*
BGN Response	BGN believe that a single Code is the optimal solution.
Q20.	*Are there any other implementation issues to consider?*
BGN Response	Implementation issues may surface during the detailed scoping phase of the project.
Section 5.3 Other implementation issues	
Q21.	*Who should own the code?*
BGN Response	Appropriate governance arrangements would be required for the management of provision of transportation services at a TSO level, and for the management of the code modification process at RA level. There is precedent for the governance arrangements in the SEM and also in other jurisdictions.
Q22.	*Is a single code feasible with multiple TSO/TOs?*
BGN Response	BGN believe a single Code is feasible with multiple TSO with appropriate governance arrangements.
Q23.	*Are there any other implementation issues to consider?*
BGN Response	Implementation issues may surface during the detailed scoping phase of the project.
Section 5.4 Assessment of code options	
Q24.	*What is your view of how each code option meets the goal?*
BGN Response	BGN believe that multiple codes is not an optimal option. BGN believe that a single All Island Network Code (AINC) covering both Transmission and Distribution, but also including provisions to facilitate interface with separate Distribution Networks would be the preferred option and would meet the requirements of industry participants North and South.

Q25.	*Are there any other issues we should consider in assessing which option best meet the goal?*
BGN Response	A key issue will be the implementation date of the chosen option. To meet industry requirements the all island arrangements would need to be in place by October 2010.
Section 6.1 Scope of all-island system operation and code(s)	
Q26.	*Should the single TSO cover distribution?*
BGN Response	BGN feel that the initial focus should be prioritised on the Transmission level but this does not mean that arrangements developed would preclude further work at a retail/distribution level in the future.
Q27.	*Can a single TSO operate distribution in one half of the island and only transmission in the other?*
BGN Response	A single TSO or multiple TSO's could operate a unified Transmission and Distribution code. Shippers in the all island market would have the option of availing of services at both Transmission and Distribution level or just at Transmission level.
Q28.	*Do we need an Exoserve function in CAG?*
BGN Response	BGN believe that an Exoserve function is not required for harmonised all island transmission arrangements but could be considered in the future as part of a review of Distribution arrangements if required.
Q29.	*What should the long term goal of CAG be in terms of code development?*
BGN Response	BGN believe the long term goal of CAG should be harmonised arrangements at transmission level North and South. This should not preclude further development at Distribution level if this was an industry requirement.
Q.30	*Should the UNC incorporate the distribution functions?*
BGN Response	BGN support the investigation of the feasibility of consistent distribution arrangements North and South, but believe

	however that the focus should be on all island arrangements at transmission level for October 2010.
Q31.	*If the goal should be a combined Transmission and Distribution UNC, can this be achieved by 2010?*
BGN Response	BGN support an emphasis on development of All Island transmission arrangements for 2010.