

Roisin McLaughlin,
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

30 April 2012

Dear Roisin,

**Consultation on Introduction of South North Entry point to the BGE (NI)
Network: High Level Business Rules; and
Consultation on Virtual Reverse Flow in Northern Ireland: High Level
Business Rules;**

General Comments

ESB welcomes the opportunity to respond to these consultations and agrees that the imperative to ensure compliance with the second package necessitates the introduction of rules which are cost effective and can be quickly implemented by the July timeframe. In that regard the consultation timescales and process whilst not ideal are acknowledged as pragmatic.

Given the above objectives, it is understood that the new range products initially offered to deal with the infringement (including Short Term Capacity) may, in the first instance, be of limited use to shippers.

In that regard, the intention of the Utility Regulator in respect of Short Term product as expressed in the conclusions paper is encouraging

'We will continue to improve the product and will take on board the comments made by respondents as the product develops. But it is important to make the product available as soon as possible.'

It is important that a similar intention exist for the full range of products developed as part of this process.

Ultimately, it is important the product mix (including tariff arrangements for same) matches the commercial requirements and timeframes that generators in the SEM must deal with. This is critical as dispatch variability of gas fired generation in SEM will only increase as more wind comes onto the system, therefore, it is imperative that the product mix allows parties to 'follow that variability' with appropriate gas products.

In that regard, flexible short term products will be critical which will need to be available at both day ahead and intra day basis. The short term product currently being implemented for July fails to deliver on this objective, but we look forward to working with the Utility Regulator on proposals to enhance that product.

Introduction of South North Entry Point

The making available of the South North entry point for physical forward flow for trading is to be welcomed.

It is will be important that timeframes for offering of product on South North pipeline tie in with timeframes for Moffat for the traded product to be of any value to shippers.

However, we feel an even more immediate benefit of the pipeline is in providing an avenue for the TSOs to administer arrangements from a security of supply perspective which can act as a more secure arrangement than the current discriminatory flip flop arrangement and should allow for its cessation. In our view the current 'flip-flop' Capacity Reduction and Emergency arrangements as defined in the PTL Transportation Code is in itself a clear infringement of EC 715/2009. The PTL Code as currently worded prioritises interruptible over firm capacity, and does not provide for equality of access to the gas network for all users. Both of these conditions are clear infringements of EC 715/2009.

We appreciate that the Utility Regulator intends to consult on the flip-flop arrangements in July, and it is imperative that an alternative which conforms to EU directives is delivered by this winter.

Virtual Reverse Flow.

The making available of the Virtual Reverse for trading is to be welcomed. Clearly the tariffing arrangement here will be key and we appreciate that is not being consulted upon currently.

Again for the product to be of use to shippers it will is preferable if the product was made available in accordance with timeframes agreed with Gaslink.

In addition, the proposal that the quantity of gas available should be limited to 90% of Ten Towns summer demand is difficult for us to understand. Ultimately the VRF volumes should be capable of being nominated to equate to the forward flow volume.

Should you have any queries in relation to the above response please do not hesitate to contact me.

Yours sincerely,

John Lawlor
Manager, Strategic Regulation
Strategy & Regulation
ESB Energy International