



**Third Party Access Regime
for the proposed
Islandmagee Storage Ltd facility**

**Decision Paper
5th July 2012**

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1. Introduction

Islandmagee Storage Limited (IMSL) has applied for a licence to store gas in a proposed gas storage facility in the Larne Lough area. The Utility Regulator is currently applying its licence application procedures, but before we can consult on the gas storage licence we must consider the Third Party Access (TPA) regime for the facility as required under Article 33 of Directive 2009/73/EC.

This paper provides a decision on the most appropriate TPA regime for the proposed IMSL facility and follows our [Consultation Paper](#) on the *Third Party Access Regime for the proposed Islandmagee Storage Facility* that was published in 18th May 2012.

We received two responses to the consultation and we have considered these in our final assessment.

1.1 Background

Article 33 of Directive 2009/73/EC refers to Member States choosing between regulated or negotiated access to storage facilities when it is technically and or/economically necessary for providing efficient access to the system for the supply of customers.

Therefore when it is deemed not technically and/or economically necessary to provide efficient access to the system for the supply of customers then it is not necessary to provide TPA. In this case TPA requirements do not apply to the storage facility.

The assessment of whether access is technically and/or economically necessary must be in accordance with objective, transparent and non-objective criteria.

Further information on the requirements of Article 33, including the published assessment criteria, has been provided in the consultation paper and previous gas storage regulatory framework papers.

2. Decision on TPA regime for proposed IMSL facility

The consultation paper set out our minded to position that the TPA requirements of Article 33 do not apply to the proposed IMSL storage facility. This assessment was based upon our analysis against the published criteria, namely the availability of flexibility tools and the perceived impact to the market if TPA does not apply. A summary of this assessment is provided below.

2.1 Availability of flexibility tools

We have defined the relevant geographic and product markets as the UK and the flexibility markets respectively. Northern Ireland gas suppliers have access to the GB flexibility market which offers a wide range of flexibility tools that would meet the demand for a flexibility service from any operator or new entrant.

A new or existing supplier in the Northern Ireland gas market would not be restricted to sourcing its gas solely from the proposed IMSL gas storage facility given that there are a wide range of flexibility tools available in the UK.

Therefore since access to flexibility tools is readily available, we are of the opinion that it is not technically necessary to provide access to the proposed IMSL gas storage facility.

With regards to economic necessity, if flexibility tools, other than storage, are available but they represent a prohibitive cost compared to the cost of storage then access to the gas storage would be economically necessary. This is clearly not the case since the UK flexibility market is a liquid and competitive market.

Since Northern Ireland and GB shippers can avail of the flexibility products within the GB market, the proposed IMSL gas storage facility can be considered to be functioning within a liquid and competitive market.

Within this setting third party access to the proposed IMSL storage facility would not be economically necessary due to the presence of a high degree of flexibility tools within a competitive market.

2.2 Perceived impact to the market if TPA does not apply

Since several gas storage facilities in GB have been granted a status where 'TPA does not apply' and there has been no adverse impact it is our expectation that a 'TPA does not apply' outcome for the IMSL gas storage facility in Northern Ireland would not create an adverse affect to the market.

Additionally given that that GB market is a competitive and liquid market we do not envisage that IMSL would be in a position of market power in Northern Ireland if TPA did not apply. Any gas placed into storage in Northern Ireland would be purchased at the National Balancing Point (NBP) and transported to Northern Ireland. IMSL would have little influence over the NBP element as this is traded within a liquid GB market.

2.3 Responses received to the consultation

We have received two responses to the consultation: AES Ballylumford and BP Gas Marketing Ltd. The responses have been published alongside this decision paper.

BP Gas Marketing Ltd¹ was supportive of the proposed TPA arrangement whereas AES Ballylumford responded that TPA should apply on a negotiated basis.

In their response, AES Ballylumford recognise that the GB market is liquid, however they are concerned about the future ability of Northern Ireland shippers to have unrestricted access to the GB market. For this reason they would prefer a negotiated access regime for the ISML facility.

In particular, AES argue that access is restricted to a single point at Moffat, and have noted a general reduction in the maximum available capacity at Moffat due to a rise of lower calorific value gas because of the reduction of North Sea Gas and increased imports of LNG.

2.4 Decision on TPA regime for proposed IMSL facility

We have decided that the TPA requirements of Article 33 of Directive 2009/73/EC do not apply to the IMSL storage facility.

In arriving at this view we have analysed the responses received to the consultation and have taken these into account. With respect to the issue raised by AES Ballylumford, a variation in the Gross Calorific Value (GCV) of gas at Moffat may indeed impact on the capacity of Beattock compressor station. The current technical capacity at Moffat (31 mscmd) is based on a GCV of 39.8 MJ/scm. However, a lower GCV of ~39.0 MJ/scm was observed only for a number of weeks in 2011². Since then, the GCV of gas at Moffat has stabilised and recent records have not shown a significant change from previous higher levels. Therefore we do not view this as a significant issue and do not see any reason from the responses received to change from our minded to position.

¹ BP Gas Marketing has an option to acquire an equity interest in IMSL. Further information is available on the IMSL [website](#)

² [Gaslink Winter Outlook 2011/2012](#)

3. Next Steps

We will continue with our review of the IMSL gas storage licence application and anticipate that we will have completed our review by the end of summer 2012.

As discussed in the consultation paper, IMSL has also requested that the proposed use-it-or-lose-it (UIOLI) condition is not included in their prospective licence and that some licence conditions do not commence until the gas storage facility starts commercial operations.

The above review process will also include an assessment of whether a use-it-or-lose-it condition is included within the prospective licence and whether certain conditions should be delayed until first commercial operations.