

  
Gas Manager  
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Dear 

In response to your recent request for clarifications, the following hopefully answers your queries

1. In accordance with paragraph 3.14(b)(iii) of the DETI Published Criteria, we must allocate a number of marks to applications in respect of Innovation and Technology Transfer (as more fully described at paragraph 3.21 of the Criteria). In accordance with paragraph 4.49 of the Applicant Information Pack, it is for each applicant to decide what information to provide in support of how its application meets this element of the Criteria. It is unclear from your application on what information you wish to rely for this purpose.

Please provide the information on which you wish rely in relation to the Innovation and Technology Transfer element of the Criteria, or indicate clearly in what parts of your licence application the information on which you wish to rely for this purpose has already been set out.

The Mutual Energy Transmission build is inextricably linked to the Scotia Gas Networks Distribution bid and a key objective of the bids is to utilise the skills, processes and technologies used in both the existing Mutual Energy Gas businesses and the two SGN distribution businesses. The information on which we intend to rely for the purposes of Innovation and Technology transfer are included in a number of sections in the application. Specifically:

Business Plan Section 2 .3 – covering the transfer of a full integrated training regime including the use of control room simulators;

Business Plan Section 3.2.2 – adoption of control room technology

Business Plan Section 4.1 – adoption of the risk management regime

Business Plan Section 4.5 – adoption of IT systems

Business Plan Sections 5.2 and 5.3 – adoption of technical policies, PIMs, and Health and Safety regime

Business Plan Sections 5.4 and 5.5 – utilisation of existing Code and IT



## Business Plan Sections 5.7 – adoption of asset management system

## Business Plan Section 8 - innovation projects and the cost efficiencies

Looking at the potential to reach remoter areas, the underlying challenge is getting gas to the areas without the use of an extensive transmission pipeline system. In section 8.4.2 in the application we outline the SGN Biomethane project in Didcot, UK's first biomethane to grid plant, which is one possible method of achieving this. In addition SGN have a long history in supplying gas to remote areas in Scotland. In particular the method used by SGN to supply Wick, Thurso, Oban and Campbeltown is one of the possible transferable innovation projects. These towns have independent town gas networks which are all supplied by a logistics system providing LNG by road tanker. The potential to introduce this to suitable remote areas in Northern Ireland as a cost effective extension to the logistics system already developed is another option to be assessed in the event the licence is awarded to Northern Ireland Energy Holdings. In both cases these are established technologies in use as opposed to simply ideas. Indeed in the majority of the projects outlined in section 8.4.2, the innovations are real and either have been implemented or are in the process of being introduced.

2. In accordance with paragraph 3.14(b)(i) and 3.14(b)(ii) of the DETI Published Criteria, we must allocate a number of marks to applications in respect of Applicant Determined Costs and the Operational Business Plan (as more fully described at paragraph 3.17 of the Criteria). In accordance with paragraph 4.41 of the Applicant Information Pack, each applicant is required to state for this purpose the basis on which its application has been prepared, i.e. a cost pass through model or a revenue cap model. That statement does not appear to be made in your application.

Please therefore confirm on which basis your application has been prepared.

The application has been prepared as a cost pass through model.

3. In accordance with paragraph 2.8 of the DETI Published Criteria each applicant must demonstrate to our satisfaction that it has, or will have, in place adequate resources (as more fully described in that paragraph). As indicated at paragraph 4.8 of the Applicant Information Pack, this is a general criterion that each applicant must meet. It is unclear from your application on what information you wish to rely for the purpose of demonstrating that this criterion is met.

Please provide a statement of the information on which you wish to rely in relation to the criterion at paragraph 2.8 of the DETI Published Criteria, or indicate clearly in what parts of your licence application the information on which you wish to rely for this purpose has already been set out.

In respect of adequate resources:

### **(a) Systems and apparatus**

All systems and apparatus needed to operate the high pressure line are in place in the existing businesses of the group Mutual Energy Ltd. Agreement is in place to make these available to Northern Ireland Energy Holdings Ltd. In respect of systems and apparatus this

includes IT systems, outlined in section 4 and section 5 of the attached application and includes systems covering :

- SCADA
- Leakfinder
- Network code billing and integration to the EU Transparency platform (GTMBS)
- Control room IT system
- Control room management tools
- Telemetry
- Asset management system ( Maximo)
- Accounting system
- Document management system
- Geographic Information system
- Various IT management and control systems

In addition you will see reference to the procurement systems in section 6. Mutual Energy also has access to the network planning/ flow models originally produced for Northern Ireland for BG.

As an organisation we currently operate in Northern Ireland with access to all the apparatus required to operate High pressure gas systems. As outlined in section 8.4.1 we already have arrangements in place to access materials on a shared basis with SGN and through them with the other GB DSO's. SGN staff work from our building and from an established office/depot in Antrim. This depot is integrated to the main SGN back office systems with full data transfer similar to all other UK depots, providing local support particularly for Asset and work Management, HR, IT, Finance and Procurement.

#### **(b) Human and other resources**

The resource levels required and the plan to put them in place is outlined in section 2 of the business plan, including proposed staffing structure, the named individuals and their CVs. Table 2.2.2 outlines the increase from current manpower numbers, which are all achieved through changes to a range of subcontracts.

In section 3.2 the approach to the recruitment for construction is detailed. In addition we have included the outline job descriptions in Annexe1 which show the detail of the roles fulfilled.

By integrating West Transmission into our wider system of management of the High pressure gas assets we will be utilising the existing staff and other resources which currently operate two of the three licences in Northern Ireland.

“Other resources” is naturally a wide description and is covered throughout the business plan. This includes the wider governance structures ( section 2.1 and section 4), training regimes (section 2.3), construction resources ( section 3), the technical resources including the PIMs, Network Code, technical policies and procedures etc (section 5), procurement framework (section 6)and stakeholder management (section 7).

#### **(c) Financial resources and facilities**

Mutual Energy Group has successfully financed two gas transmission assets at greater amounts than those projected for gas to the West. Mutual Energy Group intends to fund the applicant by way of a bond issuance or similar fundraising and has the proven track record in raising debt in this manner.

Business plan section 10.1 outlines the proposed financing structure. We have a linked bid with SGN who will be carrying out the construction of the transmission asset. We have provided three comfort letters in respect of the ability to finance the project from SGN, Barclays and RBC.

If you have any further queries please do not hesitate to contact me.



Director Northern Ireland Energy Holdings