

Mr Gerard McIlroy

Mutual Energy Ltd.

1<sup>st</sup> Floor The Arena Building

85 Ormeau Road

Belfast

26th March 2015

Dear Gerard

### **Gas Balancing of Transmission Networks – Chapter X Interim Measures**

Thank you for the Interim Measures Report jointly submitted to us on 8 December 2014 by Premier Transmission Ltd., Belfast Gas Transmission Ltd., and BGE (NI).

The Interim Measures Report sets out a description of the state of development and the liquidity of the short term wholesale gas market<sup>1</sup>. It considers two broad options for the purchase of residual balancing gas in the absence of a liquid wholesale market. These are:

- that the TSOs should trade at the adjacent National Balancing point in Great Britain<sup>2</sup>; or
- that interim measures should be introduced to assist the development of the Northern Ireland wholesale market<sup>3</sup>.

The conclusion of the report is that the Interim Measure approach provides the best opportunity to develop liquidity and permit the purchase of residual balance gas from the Northern Ireland wholesale market.

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<sup>1</sup> Section 6.1 Interim Measures Report

<sup>2</sup> Section 7 Interim Measures Report

<sup>3</sup> Section 8 Interim Measures Report



The report identifies the following interim measures that will be introduced by October 2016. These include:

- Introduction of Trade Nominations within the transmission network code in accordance with the regulations, October 2015;
- revised nomination rules at interconnection points in accordance with the regulations, October 2015;
- ongoing use of balancing services in accordance with the regulations, October 2015;
- revised balancing tolerances in accordance with the regulations, October 2015;
- revised cash out charges in accordance with the regulations, October 2015;
- review exit capacity rules in transmission network code, gas year 2015/16; and
- annual Interim Measures review including wholesale market analysis.

For each of these measures the report included:

- an explanation of why they are needed due to the state of development of the short term wholesale gas market;
- an assessment of how they will increase the liquidity of the short term wholesale gas market; and
- an identification of the steps that will be taken to remove the interim measures.

We note that prior to submitting this report you consulted with stakeholders, in accordance with Article 46 (2) of the Regulations, and that this resulted in three responses. All the respondents are involved in the Northern Ireland power generation sector. We note their broad support for the proposed interim measures based on the current state of development of the local wholesale market, and the scale of change that will result from implementation of European Regulations. It was clear from these responses that the use of imbalance tolerances was an essential interim measure to assist network users in adjusting to the new balancing regime. This has been reflected in your final report.

Prior to reaching a decision on this report the Utility Regulator has also consulted with the national regulatory authorities in adjacent entry exit zones<sup>4</sup>, namely the Commission for Energy Regulation in the Republic of Ireland and the Office of Gas and Electricity Markets in Great Britain.

We have reviewed the report submitted against the requirements of Regulation (EU) 312/2014, particularly those in Article 46 and including an assessment against the objectives required by Article 46(4). We consider that the interim Measures proposed will further the achievement of these objectives. We note that all network users will be subject to the same network code and so are exposed to the same tolerance and cash out arrangements. Also, the balancing services to be used by the TSOs will be subject to an annual competitive tender process. We consider that the Interim Measures proposed aim to promote greater liquidity and more efficient price discovery in the wholesale market.

Following our assessment of the Interim Measures report submitted on 8<sup>th</sup> December, the Utility Regulator has decided to approve the Interim Measures Report submitted by PTL and BGTL. We intend to notify both the Agency and the European Commission of our decision forthwith.

PTL, BGTL and BGE(NI) should keep the impact of the Interim Measures applied under review and jointly update the Interim Measures Report as required by the Regulation.

Please be aware that we intend to publish this decision and the Interim Measures Report on our website. We would expect that you would also publish the report on your own website.

Yours sincerely



**Tanya Hedley**

**Director of Compliance & Network Operations**

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<sup>4</sup> Article 46 (4)

