

# **Decision Paper on the Modification of the Firmus Energy Limited Conveyance Licence**

10 December 2015



# About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

## Our Mission

Value and sustainability in energy and water.

## Our Vision

We will make a difference for consumers by listening, innovating and leading.

## Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference

Act with integrity.

## Abstract

This paper sets out the Utility Regulator's decision on the modification to the firmus energy (FE) Conveyance licence. This modification will allow the Gas to the West project to convey gas through the firmus energy Licensed Area.

## Audience

This document is likely to be of interest to the licensee affected, other regulated companies in the energy industry, government and other statutory bodies and consumer groups with an interest in the energy industry.

## Consumer Impact

The effect of this modification is to permit the conveyance of gas through the firmus energy Licensed Area into licensed areas of other gas conveyance holders, so that gas can be brought to new areas which have not been developed. This provides access for an increasing number of consumers to the economic, social and environmental benefits of gas.

# Contents

1. Purpose of this Paper .....	4
2. Background .....	4
3. Responses Received to the Consultation.....	5
4. UR Decision on Extension to Licenced Area and Modifications .....	6

# 1. Purpose of this Paper

- 1.1. This paper sets out the responses received in relation to the consultation on the proposed licence modification of the firmus energy (FE) conveyance licence in respect of facilitating the conveyance of gas through the licence area.
- 1.2. This paper also deals with the Utility Regulator's decision on the licence modification and associated regulatory arrangements.

## 2. Background

- 2.1. On the 1 October 2015, the Utility Regulator gave notice<sup>1</sup>, under Article 14 (3) of the Gas (NI) Order 1996, of its proposal to modify the FE Conveyance Licence to facilitate a gas connection as part of the Gas to the West Project<sup>2</sup>, and facilitated representations or objections.
- 2.2. The current FE licence lists the areas to which the licence holder has the sole right to convey gas, as per the Electoral Wards, which is referred to as the Exclusive Area. Some specific premises or locations are excluded from this condition.
- 2.3. The reason for the modification is that, due to the award of the Gas to the West licence, gas will be conveyed from the High Pressure pipeline in Maydown, Derry/Londonderry to Strabane. To facilitate this development, it is necessary to add in additional areas to the "Premises Excluded from Exclusivity".
- 2.4. Due to the size of the Strabane pipeline due to be built for this purpose, it is not anticipated that there will be any significant connections. The Utility Regulator expects that all customers wishing to connect in the firmus energy Licensed Area will continue to engage with FE to achieve a connection. The only circumstances where the Utility Regulator envisages a connection to the Strabane pipeline might occur is

---

<sup>1</sup> [http://www.uregni.gov.uk/uploads/publications/2015-10-1\\_Gas\\_Notice\\_General\\_Final.pdf](http://www.uregni.gov.uk/uploads/publications/2015-10-1_Gas_Notice_General_Final.pdf)

<sup>2</sup> [http://www.uregni.gov.uk/uploads/publications/G2W\\_Licence\\_Decision\\_Paper\\_FINAL\\_FOR\\_PUBLICATION.pdf](http://www.uregni.gov.uk/uploads/publications/G2W_Licence_Decision_Paper_FINAL_FOR_PUBLICATION.pdf)

where a connection to the firmus energy network is not feasible. As SGN Natural Gas Ltd (SGN) will be conveying gas through the Strabane pipeline, the Utility Regulator expects that these principles will be reflected in SGN's connection policy before the Utility Regulator approves it.

- 2.5. Furthermore, the Utility Regulator has drafted the proposed conditions so that third parties can convey gas in the firmus energy area for the purpose of bringing gas to customers in another area outside the firmus energy Licensed Area (and not for the purpose of connections). This brings the firmus energy licence into line with other conveyance licences. The Utility Regulator regards this approach as furthering its principle objective to promote the growth of the gas industry.
- 2.6. The effect of the modification will be to allow third parties to convey gas through the firmus energy area while retaining firmus energy as the primary party for connecting all customers in its Licensed Area.

### **3. Responses Received to the Consultation**

- 3.1. The Utility Regulator received two responses in relation to the proposed licence modification, both of which have been published on our website, from the following parties:
  - a) [Firmus Energy \(Distribution\) Limited](#); and
  - b) [SGN Natural Gas Limited](#).
- 3.2. Both responses are broadly in support of the proposed modification, although FE had a number of points, with the main issue being on the principle of exclusivity.
- 3.3. The Utility Regulator has considered the exclusivity issue raised by FE and the various arguments and concepts in its response. Having considered the matter carefully the Utility Regulator does not think that there is any disagreement with FE over the principles the Utility Regulator is trying to achieve. Our common aim is to facilitate the new pipeline without damaging the FE business model. However, the

Utility Regulator remains of the view that the best mechanism to deal with any concern is through the licence modification proposed in conjunction with providing clarity on connections in the FE Licensed Area.

- 3.4. In relation to pipeline route the Utility Regulator does not see merit in detailing a route in the licence as the ramifications of doing this in every licence would make licences unmanageable. However, the Utility Regulator expects all gas distribution companies to work transparently together on all common matters including issues around pipeline route detail.
- 3.5. In relation to exclusivity the Utility Regulator does not agree that changing the definition of the pipeline to Strabane is a reasonable step. The Utility Regulator remains of the view that the principal party to make connections in the FE area will continue to be FE and that the best mechanism to achieve this will be through the SGN connection policy.
- 3.6. As stated in the consultation, the Utility Regulator would only expect to approve a connection policy where all potential connections in the FE Licensed Area are directed to FE in the first instance. Where FE has been given an opportunity to provide a connection and it has turned out that such a connection would not be feasible, the potential connection may be passed over to SGN for consideration. The Utility Regulator expects to engage further with interested parties on the detail of the SGN connection policy before it is finalized.
- 3.7. In addition to considering the consultation responses the Utility Regulator has engaged with SGN and FE to discuss its expectations on the gas distribution companies working together. The discussions were positive and constructive, and laid a solid foundation on the understanding necessary to deal with these issues.

## **4. UR Decision on Licence Modification**

- 4.1. The Utility Regulator has fully considered all the consultation responses and believe that the current proposal is reasonable. The Utility Regulator has therefore decided to approve the licence modification and will integrate it into the existing FE licence.
- 4.2. The change is under Article 14 (3)<sup>3</sup> of the Gas Order (Northern Ireland) 1996.
- 4.3. The appendices below show the notice and when the modification will come into effect.

---

<sup>3</sup> <http://www.legislation.gov.uk/nisi/1996/275/article/14>



## **Appendix A - Gas Notice**

### **Firmus Energy (Distribution) Limited**

#### **Notice under Article 14(3) of the Gas (Northern Ireland) Order 1996**

#### **GAS MODIFICATION NOTICE**

##### **Notice under Article 14 (3) of the Gas (Northern Ireland) Order 1996**

The Northern Ireland Authority for Utility Regulation (hereinafter referred to as “the Authority”) pursuant to Article 14(3) of the Gas (Northern Ireland) Order 1996 as amended (“the Order”), hereby gives notice as follows:

The Authority will modify the licence granted under Article 14 (3) of the Order (“the licence”) to:

Firmus Energy (Distribution) Limited

to include the following:

Add in the additional areas as contained within the Annex to Schedule 3 on “Premises Excluded from Exclusivity”

This modification will take effect on 4 February 2016.

A related decision paper has been published [here](#).

The amendments to the licence in respect of this change are set out in Annex to Schedule 3 of this notice. A copy of the licence can be obtained from Paul Harland at the Utility Regulator, Queens House, 14 Queen Street, Belfast BT1 6ED or e-mail to [paul.harland@uregni.gov.uk](mailto:paul.harland@uregni.gov.uk).

**Dated this day 10 December 2015**

**Jenny Pyper**

**For and on behalf of the Authority**

**Appendix B – Change to Firmus Energy (Distribution) Limited Gas Conveyance Licence, underlined and highlighted,**

**Annex to Schedule 3  
PREMISES EXCLUDED FROM EXCLUSIVITY**

- 1 Tarmac Northern Ltd, 40a Boghill Road, Newtownabbey, Co. Antrim, BT36 4QS
- 2 26 Site 1 Boghill Road, Newtownabbey, Co. Antrim, BT36 4QS
- 3 Ballyearl Sports Centre, Doagh Road, Newtownabbey, Co. Antrim
- 4 26 Boghill Road Newtownabbey
- 5 34 Boghill Road Newtownabbey
- 6 Ashers Baking Co. 581 Doagh Road Newtownabbey
- 7 583 Doagh Road Newtownabbey
- 8 Miles Ash Ltd, 576 Doagh Road
- 9 *Any premises which are located outside the Licensed Area.*
- 10 *Any premises at any location which lies within a 50 meter radius of a pipe-line which is to be constructed for the purposes of conveying gas along a route approved by the Authority which:*
  - a. starts at the boundary of the District of Strabane; and*
  - b. ends at a connection point on the North-West pipe-line (having the meaning given to it in the gas conveyance licence granted to BGE (UK) Ltd on 12 February 2002).*