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Dear Roisin

RE: EXIT CAPACITY REVIEW FOR NI GAS TRANSMISSION – CALL FOR EVIDENCE

Thank you for providing firmus energy with the opportunity to respond to the published discussion document regarding potential reform of the Northern Ireland gas transmission exit arrangements.

Having reviewed the published discussion document, firmus energy believes that the key issues have been identified. As has been acknowledged throughout the paper, the potential impact of any regime change is a complex one and at present there is insufficient information available to fully appreciate the overall impact.

Short-term products

While firmus energy appreciates that the availability of short-term products might bring greater flexibility for shippers, it would seem that the shippers benefitting most from the introduction of such a regime would primarily be the electricity generators. There is little if any evidence of demand for such a regime change coming from those shippers operating on the distribution networks in Northern Ireland. It would appear that the proposed changes are attempting to resolve an issue that is specific to the electric generation regime in Northern Ireland. Firmus energy does not feel that it is appropriate to address electricity regime issues through changes to the gas regime and would suggest that these issues are addressed directly via the electricity framework. Firmus energy would also question if it is the correct time to address such issues and ask if it would be more appropriate to postpone the project until the I-SEM implications are fully appreciated.

Given the uncertainty surrounding the impact of such a regime change and the potential further uncertainty of annual reconciliations, firmus energy could not support the proposal for the introduction of short term exit capacity products at this time.

Capacity booking responsibilities

As the Distribution System Operator (DSO) in the Ten Towns network area, firmus energy currently books and holds transmission exit capacity on behalf of shippers operating on the network. As previously stated, there is little evidence of interest in short terms exit capacity products from distribution shippers. However, if such a regime was introduced, it would not be appropriate that the regime would only be available to electricity generators.

As a DSO, it is extremely difficult to envisage a regime that would require the DSO to book short term capacity products on behalf of distribution shippers and is not a scenario that firmus energy could

support. Firmus energy therefore believes that the introduction of short term capacity products must apply to all shippers and must also result in the removal of the DSO obligations to book exit capacity.

In terms of the level of capacity booked, firmus energy would question the assumption in the paper that the current requirement on DSOs to book 1 in 20 peak level would be transposed onto shippers. There is no such obligation for electricity generators and therefore such a requirement would introduce further inconsistencies and inequality to the regime.

Capacity Booking Platform

Given the uncertainty as to the most appropriate platform and the associated uncertainty of cost to introduce an appropriate capacity booking platform, firmus energy would be extremely concerned as to the potential cost implications and would therefore suggest that this element is of central importance in the consideration for regime change.

Ratchets

To date firmus energy has not received information regarding the amount of capacity booked at transmission exit and the implications of any capacity ratchets, therefore, it is difficult to comment on the appropriateness of the current mechanism. However, given that the capacity ratchets were only introduced in October 2015 and therefore has only been in operation for seven months, firmus energy would support the suggestion that it is too early to consider further change.

In conclusion, firmus energy does not believe there is sufficient evidence available to support the requirement to continue the review of the exit capacity booking regime at present. It is also very unclear as to the potential impact on the gas industry and therefore firmus energy would request that any further consultation on this subject is supported by more detailed demonstration of the impact of regime change.

We hope that these comments prove useful.

Yours sincerely

Lisa McCarthy
Transportation Services Manager
Firmus energy