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27 May 2016

Dear Roisin,

**Exit Capacity Review for Northern Ireland Gas Transmission – call for evidence.**

Thank you for providing SGN Natural Gas with the opportunity to comment on the discussion document detailing the potential options for evolving the Northern Ireland Transmission exit capacity arrangements. We have restricted our response to Chapters 5, 6 and 7 as we consider the area of short term capacity products is specifically a Transmission Operator to Shipper arrangement. Our specific comments relating to the relevant chapters are detailed below, however our high level position would be that any proposed market changes would be kept in the context of the size of the natural gas market in Northern Ireland to ensure any industry change costs are kept relative to any overall benefits flowing from a change in the arrangements.

**Chapter 5 – Capacity Booking Responsibilities.**

We agree with the conclusions detailed in the TPA document regarding exit capacity booking responsibilities, i.e. this responsibility should remain with the Distribution System Operator (DSO) for distribution connected loads as we see no advantage in transferring this responsibility to shippers as the end result would be neutral, i.e. shippers should book the same level of capacity overall as the DSOs. We note however that the current mechanism for recovery of exit capacity costs by DSOs from Users on the distribution network may be modified and made more cost reflective to Users if the arrangements for recovery of DSO costs via the postalisation tariff were changed to a capacity charge rather than a commodity arrangement. The current arrangements convert exit capacity costs into a pence per KWh charge. Where individual User's capacity bookings are relatively high compared to their throughput they will incur a disproportionate charge to their booking.

**Chapter 6 – Capacity booking platforms.**

We would support the current arrangements which require the DSO to directly book exit capacity requirements with the TSO. We do not consider there to be a requirement for the PRISMA system to be employed for this purpose and the costs associated with this development would outweigh any perceived benefit.

**Chapter 7 – Ratchets.**

The current arrangements require SGN Natural Gas to book exit capacity based on a 1 in 20 year peak day capacity requirement as detailed in our Licence section 2.19. Shippers / Suppliers have an opportunity to comment on this booking via a consultation process each year and therefore have an opportunity to influence this capacity booking. We consider the current arrangements in relation to the DSO exit capacity booking and the relevant ratchet arrangements to be adequate to incentivise accurate bookings. We would note that ratchet arrangements on the distribution network detailed under Section B7 of the SGN Natural Gas Network Code



specify a ratchet capacity charge of 1.5 times the applicable monthly rate is applied in the circumstances where a Daily Metered Supply metered point exceeds its registered daily capacity level. Therefore arrangements on the distribution network already exist to incentivise accurate Daily Metered capacity bookings. It therefore may be appropriate to introduce arrangements which incentivise accurate capacity bookings for users directly connected to the Transmission system.

We hope you find these comments useful. If should have any questions or further comments please do not hesitate to contact myself.

Yours sincerely,

Joel Martin  
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SGN Natural Gas