

Jonny Millar
The Utility Regulator
14 Queens Street
Belfast
BT1 6ED

29 June 2018

Dear Jonny,

Notice under Article 8(4) of the Gas (Northern Ireland) Order 1996 – Proposal to extend the Gas conveyance Licensed Area of PNGL to include Whitehead

Thank you for the opportunity to respond to the *Consultation on the Utility Regulator's (UR) proposed extension to the PNGL Licensed Area to include Whitehead*. Firmus energy (Distribution) Limited welcomes this engagement with the UR, recognising the benefits of continuing to bring natural gas to new areas and consumers in Northern Ireland.

Firmus energy is cognisant of the economic and financial considerations required with any request to extend the natural gas network. We recognise the importance of a Net Present Value (NPV) analysis and understand how this element plays a key role in the UR's decision making process. Nevertheless, we do not believe the NPV analysis should act as the sole criterion in determining the feasibility of a licence extension application, and note the additional elements influencing the UR's support for this licence extension, as set out within the consultation. Firmus energy believes there is a need to widen the scope of consideration employed by the UR in their assessment of any licence extension application and the accompanying capital investment.

NPV analysis is, rightly, informed by a suite of assumptions at a particular point in time. These assumptions, however, will invariably be updated, amended and refined with the passage of time. This is demonstrated by the Whitehead project now being considered favourable by the UR, whereas it had previously, e.g. pre-GD17, been considered less favourable. The reality is of course that the project and the customers have always been the same.

Therefore, in addition to an NPV analysis with proven limitations, firmus energy believes the following considerations (many of which capture the enduring benefits of natural gas availability in Northern Ireland) should be included in the UR's assessment of any licence extension application. The following list is not exhaustive and does not seek to attribute weighting to any element.

- Economic and social context: natural gas as an alternative fuel choice for NI energy consumers
- Customer / Political demand
- Environmental impact

- Levels of fuel poverty
- Housing infrastructure – age of households
- Local proximity of gas
- Current I&C infrastructure
- Possible future I&C investment
- New build housing investment
- Existing community schemes
- Social grant availability

Firmus energy supports this proposed extension of the natural gas network to Whitehead. We would welcome the UR's consideration of a widened scope of review and feasibility analysis for future licence extension applications, and would be grateful for the opportunity to discuss this further with the UR at your earliest convenience.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Niall Martindale', written in a cursive style.

Niall Martindale
Director of Regulation and Pricing