

Jillian Ferris
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

22 February 2019

Dear Jillian,

Consultation on Seasonal Multiplier Factors for Gas Transmission

Thank you for the opportunity to respond to the Utility Regulator's (UR) Consultation on Seasonal Multiplier Factors for Gas Transmission. Firmus energy welcomes this engagement with the UR, recognising the consultation's fulfilment of three separate requirements of the EU Regulation on establishing a network code on harmonised transmission tariff structures for gas, known as TAR NC.

Seasonal multiplier factors applied to the postalised tariff for non-annual entry capacity bookings.

In October 2015 the revised NI transmission tariff regime came into effect. This was borne out of an obligation to comply with EU Regulations, specifically EU 715/2009, which required (amongst other things) that charges for Entry and Exit Capacity should be levied separately, and also the CAM Regulation (EU 984/2013) which required that capacity at interconnection points should be sold via an auction process.

As part of this process the gas suppliers in Ten Towns and Greater Belfast were allocated an initial entitlement of entrance capacity from the GB transmission Network to the NI transmission network, "Entry Capacity". This capacity, which importantly is fixed for 5 years i.e. Oct 2015 – Sep 2020, was based upon the competitive environment at that point in time and not necessarily with a view to how the natural gas networks would develop over the 5 year period.

In 2019 firmus energy (Supply) Ltd remains constrained by its initial entitlement of entry capacity. The result of this is that until this booked capacity is either revised or comes to an end (in October 2020) firmus energy has no inclination or requirement to purchase any short or medium term entry capacity products.

Given our non-participation in this market, we are unable to provide material evidence on how the revised multipliers might affect our purchasing habits for short and medium term entry capacity products. Nevertheless, we would support the proposal to decrease the seasonal multipliers and agree that this would act as a catalyst and incentive for other suppliers to purchase entry capacity in these markets.

Discounts for interruptible capacity and storage

The NI Gas Capacity Statement indicates that the NI Gas Network has sufficient capacity to meet forecasted demand for the next ten years. Therefore, until this situation changes, we agree with the UR that there is no requirement for an interruptible capacity product. Similarly, as there are currently no storage facilities in NI, we agree that there is no requirement to publish storage discount rates for the Gas Year starting 1 October 2019.

The postalisation regime provides an effective inter-TSO compensation mechanism

Under Article 10(5) of TAR NC, the UR is required to: “conduct a consultation on the principles of an effective inter-transmission system operator compensation mechanism” and to consider its consequences on tariff levels.

Such a compensation mechanism ought to:

- Prevent detrimental effects on the transmission services revenue of the TSOs involved
- Avoid cross subsidisation between intra-system and cross-system network

The design of the postalised regime ensures the designated pipeline operators collect the amount of required revenues they are entitled to under their individual licences. Therefore, in principle, they will not be detrimentally affected by the arrangement. Furthermore, the common administration arrangements, carried out by GMO, improves efficiency and helps to reduce tariffs.

Finally, as the NI Network has no cross-system network use, firmus energy agrees that there is no subsidy between inter and cross system use.

Conclusion

Although firmus energy continues to face challenges associated to its initial entitlement for entry capacity, we welcome the opportunity to respond to this consultation, recognising the importance of meaningful contribution from all suppliers and wider industry stakeholders.

Kind regards,



Stephen Miller

Business Planning and Regulation

Firmus energy