

Tom Lyons
Senior Network Forecasting Engineer
GNI (UK) Ltd
P.O. Box 51
Gasworks Road
Cork

NET/G/TH/106
31 May 2019

Dear Tom,

Re: Operation of Carrickfergus AGI

Following the Project Plan that you submitted jointly with Mutual Energy Limited (MEL) on 22 February 2019 with regard to the Impact Assessment on the Operation of the Carrickfergus AGI, we engaged Poyry Management Consulting to facilitate the project. We intend that Poyry will help develop a joint proposal between MEL and GNI (UK) on the future operation of the Carrickfergus AGI.

Following your joint meeting with Poyry on 2 May 2019, you agreed to provide an addendum to the Project Plan to show the costs of carrying out the Phase 1 Hydraulic Modelling. You provided the addendum to Poyry on 10 May 2019 and sought formal approval from the Utility Regulator.

We will consider this request as Unforeseen Operating Expenditure under condition 2.2.4(j) of the GNI (UK) conveyance licence. In the Final Determination for GT17¹, we outlined a process for how such unforeseen expenditure would be determined and approved and stated that any expenditure must be genuinely unforeseen².

- **Step 1** – Project deliverables to be agreed with the UR
- **Step 2** – Estimated cost requirement to deliver agreed project submitted to the UR for consideration
- **Step 3** – UR determines the allowance to be recovered through the postalised transmission tariff; and
- **Step 4** – Cost reporting, as necessary, to the UR during project delivery phase.

For steps 1 and 2, GNI (UK) has provided the following information:

¹ Paragraph 7.16 of Final Determination for GT17

² Paragraph 7.22 of Final Determination for GT17

1. Joint Project Plan between GNI (UK) and MEL on Impact Assessment on Operation of Carrickfergus AGI on 22 February 2019
2. Addendum to Joint Project Plan provided 10 May 2019, which outlined the deliverables and cost of phase 1 of the Impact Assessment.
 - a. The key deliverable of Phase 1 will be a Technical Note which will detail the Phase 1 Hydraulic Modelling results. These results will inform the initial cost benefit analysis, which will have its scope and methodology agreed during the Phase 1 process.
 - b. The scope for the Phase 1 Hydraulic Modelling was outlined in a table, which is shown below:

Task ID	Task Name	Duration
1	Allowance Approval: Studies	0 Day
2	Kick-Off Meeting TSOs	1 Day
4	Produce <i>Assumptions Document</i> for hydraulic modelling	5 days
5	SCADA data gathering for hydraulic modelling	5 days
7	Phase 1 Hydraulic Modelling (model building and initial model runs)	40 days
10	Technical Note for Modelling Results (including modelling refinements as required)	10 days

Table 1: Scope of Phase 1 Hydraulic Network Modelling

- c. The costs for the Phase 1 Hydraulic Modelling are outlined below:

Task Name	GNI cost	MEL cost
Project Management	£1,029	£1,000
Hydraulic Modelling Assessment	£20,400	£4,440
Subtotal	£21,429	£5,440
10% contingency	£2,143	£544
Total	£23,572	£5,984

With regard to step 3, we consider that the costs outlined indicate an efficient level of expenditure towards the delivery of the Project Plan. We further consider that these costs could not have been foreseen during the GT17 process.

Decision

As provided for in licence condition 2.2.4(j), the Utility Regulator approves GNI (UK)'s cost submission of £23,572 (April 2019 prices) as outlined in the Addendum to the Project Plan dated 10 May 2019.

This approval is a fixed amount for this piece of work and no additional funding will be approved should the cost of the Phase 1 Hydraulic Modelling increase beyond what has been forecast.

This decision does not fetter our discretion with respect to any future requests for Unforeseen Operating Expenditure

Next Steps

Licence condition 2.2.4(j) outlines how this will be included in the postalised tariff:

“Where the Authority, in its absolute discretion, approves the recovery of any Unforeseen Operating Expenditure, such adjustment as the Authority determines appropriate will be made to the figure for Allowed Operating Expenditure applying to the second Gas Year following the Gas Year in which the expenditure was incurred and will include an interest element based on LIBOR plus 2%”

The Unforeseen Operating Expenditure approved in this Decision will therefore be included in the postalised tariff for the 2020/21 Gas Year.

Condition 2.2.4(k) of the GNI (UK) licence requires the company to submit details of actual operating expenditure, the format and timing of which are set out in the RIGs. However, in light of the ongoing nature of the Impact Assessment on the Operation of Carrickfergus AGI, we also require you to provide cost reporting to the UR at the end of the Phase 1 Hydraulic Modelling, once the actual costs are known.

Yours sincerely,



Tanya Hedley
Networks Director
For and on behalf of NIAUR

