

Brian Mullins
GNI (UK) Ltd
PO Box 51
Gasworks Road
Cork

Ref: NET/G/RML/382
2 June 2021

Dear Brian,

Re: Operation of Carrickfergus AGI

Thank you for your response on 20 May 2021 to our request for further information following your correspondence on 4 March 2021 seeking approval of project budget of £241,017. We note that the costs have slightly changed to £240,890.

We consider this request to be 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 UR
- Step 2 – Estimated cost requirement to deliver agreed project submitted to 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 UR during project delivery phase

You have provided information on the project deliverables and estimated cost requirements, shown in the table below which has been extracted from your email of 20 May 2021. We consider that these costs could not have been foreseen during the GT17 process.

¹ Paragraph 7.16 of Final Determination for GT17

² Paragraph 7.22 of Final Determination for GT17

9.0 Project Budget (revised)

Carrickfergus Constant Pressure Cut Budget Estimate			
GNI (UK) High Level Costs			Budget Estimate (Total)
Project Management			
	Consultancy (Prelim Design) ⁽¹⁾	GNI (UK)	£29,000.00
	Consultancy (Detail Design)	GNI (UK)	£75,401.00
	Project Management (Prelim Design) ⁽¹⁾	GNI (UK)	£2,880.00
	Project Management (Implementation)	GNI (UK)	£ 7,200.00
Design and Planning			
	Drawing Office - Pipeline	GNI (UK)	£ 1,050.00
	Drawing Office - AGI	GNI (UK)	£1,400.00
	Pipeline Engineering	GNI (UK)	£ 1,750.00
	AGI Engineering	GNI (UK)	£1,750.00
	Project Services	GNI (UK)	£ 2,100.00
	Conceptual Design	GNI (UK)	£ 1,250.00
Material Procurement			
	Material Procurement		
	AGI Materials		£ -
Construction			
	Cons Contract		
	Ops Services	GNI (UK)	£ 53,270.00
Control and Instrumentation			
	Control and Instrumentation		
	C&I Design		£ -
	Control System (OEM)	OEM	£ 43,900.00
Network Modelling			
	Network Modelling		
	Network analysis ⁽¹⁾	GNI (UK)	£5,300.00
Summary Total			
	Summary Total		
	Summary Total	GNI (UK)	£209,580
Contingency @ 6.5%			
			£14,702
Total Budget estimate budget			£240,890

(1) GNI (UK) advised estimated spend to date.

We note that your project timeline indicates completion by mid-November 2021, subject to clarity from HSE NI and the availability of contractors. We consider that the updating of the SOA and a joint programme plan with MEL are within your control and we expect those would not cause any delay to the timeline.

We urge you to push forward to complete this task within the timeline indicated so that customer benefits are delivered throughout Gas Year 21/22 and beyond.

Decision

As provided for in licence condition 2.2.4(j), the Utility Regulator approves GNI (UK)'s cost submission of £240,890 (May 2021 prices) as outlined in your email of 20 May 2021.

This approval is a fixed amount for this piece of work.

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 2022/23 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. Consequently, GNI(UK) should also report actual expenditure for this project in this manner. We would also welcome regular updates on progress towards project completion between now and November.

Yours sincerely,



Roisin McLaughlin
Head of Network Operations