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Graham Craig
Gas Branch
Utility Regulator
Queens House
14 Queens Street
Belfast
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21st August 2015

Consultation on the designation of a forecasting party within the Northern Ireland gas balancing regime

Dear Graham

Mutual Energy Limited (MEL) is grateful to have the opportunity to respond to this consultation on behalf of its three wholly owned subsidiaries Premier Transmission Limited (PTL) and Belfast Gas Transmission Limited and West Transmission Limited which hold licences to convey gas granted pursuant to the Gas (NI) Order 1996.

Question 1: Do respondents agree that the existing forecasting arrangements are consistent with the 'base case' information model as set out in Article 2 (19) of the Balancing Code?

MEL agree that the existing forecasting arrangements are consistent with the 'base case' information model.

Question 2: Are respondents content with the proposal to adopt the base case information model as set out in the Balancing code?

MEL are content with this proposal.

Question 3: Are respondents content that all the available options that have been identified?

MEL believes that four of the more achievable options have been identified. It would have been useful to explore an alternative to Option 2 where one of the Distribution System Operators (DSOs) acts in the aggregation role similar to that of the Transmission System Operator (TSO) described in Option 3. This reflects the key knowledge on the customer demand side held by DSOs and builds on the work they already carry out in forecasting for their network.

Question 4: Are respondents content that the appropriate criteria have been used to assess the options?

MEL believes that compliance with Regulation (EU) No. 312/2014 is one of the key criteria as well as the costs associated with implementing the option. MEL fully agree that whichever option is chosen should not negatively impact competition in the NI natural gas market. However, to consider the options properly, the individual implementation timescales should also have been considered as well as the impact on other projects which may be planned in the future, for example the Exit Capacity review. MEL would have concerns that by making this change independently without consideration to the above, the outcome may make future reform more challenging or require a revisiting or reworking of the chosen option. MEL believes that a holistic view of potential future regime changes should be taken.

Question 5: Are respondents content with the assessment of each option against the criteria?

Overall, the high level assessment lacks the necessary level of detail and a more in-depth analysis would have been useful to gauge the actual magnitude of costs associated with each option which would lead to a more informed decision on the matter. As noted above, it would have been useful to also review the timescales and efforts required to implement the options.

Question 6: We would welcome the views of respondents on our preferred option 3.

Based on the information provided, this option appears to be the most straightforward in terms of implementation and appears to be the least costly option.

MEL's concerns with the option primarily relate to the compliance aspect and the fact that the TSO would be responsible for the forecasting of a Network User's NDM offtake and where appropriate subsequent allocation. The Utility Regulator (UR) suggest that contractual obligations would help in this matter and also makes the important point in that irrespective of the contractual arrangements the designated party remains responsible for these obligations.

UR have suggested an arrangement whereby the TSO certifies that the DSO forecasting methodology / process meets its specification. It could be argued that the TSO is not best placed to determine how suitable the DSO's process is, given that they do not perform a forecasting function at present. Further complexities would arise if the TSO, who is responsible for the forecasting determines, that the DSO's methodology does not meet its specification. If the accuracy of the forecasts provided by one of the DSOs was significantly or consistently worse than another of the DSOs, it would be a logical step for the TSO to seek changes to that DSO's methodology. This would inevitably have some impact on the DSO operations. Therefore, whilst UR are aiming to minimise disruption to the DSO process, which MEL agrees should be an objective, MEL do not believe that this objective would supersede the obligations of the TSO with respect to forecasting and in particular, the accuracy of that forecasting.

It should be noted that the complexity of putting in place the suggested contractual arrangements should not be underestimated. As the paper notes, there is no definitive set of contractual arrangements that can be pointed to as being suitable in this the Option 3 situation which suggests to MEL that developing and agreeing such contractual arrangements could be a complicated process. Draft contractual arrangements should be completed prior to any modifications to licences and should have sufficient regulatory

oversight to ensure that the contractual arrangements are fair, balanced and that the licence obligations are consistent with the contractual framework.

This issue is very relevant to UR's statement that they intend to put suitable licence conditions in both the licences of the designated TSO and the individual DSOs. MEL are of the strong opinion that any such licence condition should be mindful of this contractual framework and should not be put in place until there has been further development of this process and the relevant parties are clear as to the timescales required to put such contractual conditions in place as well as the timescales of IT development.

Question 7: Assuming we go forward with option 3, are respondents content with the proposal to designate PTL as the forecasting party?

MEL is content with the proposal but this is subject to the concerns outlined above being addressed as well as implementation timescales being realistic and achievable from the start.

It is also important to note that, if PTL were designated, MEL would expect PTL to utilise the Aligné IT System (Aligné) to fulfil its obligations with regard to communicating the forecast and allocation information. This would require the DSOs to interact with Aligné and for the parties to work in conjunction to ensure the appropriate interfaces were developed to ensure that that an automatic process was delivered and the overall process was "customer friendly" for the Shippers relying on this information.

Question 8: What are respondent's views on the proposed implementation timetable?

Implementation of a change of this scale will involve careful scoping and planning of the activities involved which include but are not limited to, the development of contracts, IT system development and implementation for four organisations, licence changes, internal business process change and Transmission and Distribution Code modifications. MEL believe it would not be sensible to commit to a delivery date without completing the proper project planning stage. As this is yet to take place, October 2016 does not appear to be an achievable target and MEL would object to any such target being put in place at this time.

Should you wish to discuss any aspect of our response please do not hesitate to contact me.

Yours sincerely



Stephen English
Gas Contracts Manager