



## **Utility Regulator Consultation on the designation of a forecasting party within the Northern Ireland gas balancing regime**

### **Phoenix Natural Gas Ltd. response**

**31<sup>st</sup> July 2015**

#### **Introduction:**

Phoenix Natural Gas Ltd. (PNGL) welcomes the opportunity to respond to the Utility Regulator's (UR) consultation on the designation of the forecasting party within the Northern Ireland (NI) gas balancing regime. PNGL continues to recognise the need for the NI natural gas industry to demonstrate compliance with the Gas Regulation and in particular the requirements of the new EU network codes.

With regards the requirements for a NI forecasting party, PNGL has been in discussions with UR and the other NI Distribution System Operator's (DSOs) to explore the different options available and we are supportive of the UR preferred option for Premier Transmission Ltd. (PTL) undertaking this role. We strongly believe this option offers the most cost effective way of delivering compliance with the Balancing Code requirements. We do however have several comments regarding the detail of the proposal and the remaining section of this response sets out the specific comments and queries which PNGL would be keen to explore further with UR and PTL.

#### **Base Case Information Model:**

PNGL agree with the UR assessment that the current NI distribution network code requirements for demand forecasting is consistent with the 'base case' information model detailed in the Balancing Code and we also believe it is appropriate to apply these existing arrangements to assist in the delivery of the EU Balancing Code requirements.

We note that UR has indicated that there may be necessary changes in demand forecast timescales currently set out in the DSO's Network Codes to align current requirements with that of the Balancing Code. It is important that any changes in DSO requirements are understood and scoped as soon as possible to ensure DSOs can resource any required change. It is also important that UR when considering the necessary changes give proper recognition to the obligations the DSO will continue to have under the requirements of its own Network Code for demand forecasting and every effort should be made to minimise impact on the DSO operations when considering the approval of any proposals for implementing the requirements. We therefore welcome the UR comment that any new arrangements 'should not interfere' with existing DSO processes.

### **Forecasting Party: Option Identification and Appraisal:**

As mentioned above, PNGL together with Firmus Energy and SGN has been in discussion with UR on the different options available. As a result of these discussions we believe the preferred methodology set out in the consultation paper will deliver the most cost effective solution by building on existing arrangements and concur with UR that it will limit the level of system development needed to deliver the EU Balancing Code requirements. However, PNGL believe that it is important to emphasise that until the forecasting party arrangements and necessary interface has been fully specified the costs to be incurred by PNGL cannot be determined and further, as previously agreed with UR, any works undertaken by PNGL as part of the NIED project, including those required for the forecasting party, are not considered 'business as usual' for a DSO and do not fall under the standard allowances of its current or future price controls.

### **Certification Arrangement and Licence Modifications:**

PNGL note that UR has asked PTL and the DSOs to consider a form of certification arrangement for implementing its preferred option whereby PTL would certify that the DSO forecasting methodology meets its specification. PNGL would point out that it could only agree to such arrangement if it is clearly recognised that PTL cannot prescribe the methodology employed by the DSO nor should it be allowed to veto any changes which a DSO may feel is necessary to implement to improve its demand forecasting processes. We note that UR is proposing to include additional licence conditions in both the PTL and DSO licences to reflect the requirement for these contractual arrangements. PNGL believe that any such licence condition should provide clarity on the above requirements regarding the necessary conditions with which any certification process undertaken by PTL is completed.

### **Implementation Timetable:**

PNGL note that UR is required to have designated a forecasting party by 1<sup>st</sup> October 2015 and the proposal is to have the role of the forecasting party fully operational by 1<sup>st</sup> October 2016. We agree with UR's comment that this may be challenging given the level of work still to be undertaken at transmission level to deliver single system operation in 2016 and therefore we believe that an implementation date for the forecasting party role should be set which can be achieved. Given that the NI transmission regime will operate under an interim measures mechanism for a period of 5 years, sufficient time should be available to allow a realistic implementation date to be agreed which will allow PTL and the NI DSOs to develop an appropriate PTL DSO interface for the requirements of the forecasting party role. An achievable implementation date will also allow the DSOs to assess any potential impact the necessary interface may have on its distribution operation and develop appropriate solutions. PNGL would also strongly recommend that UR appoint a single party to project manage the delivery of the Forecasting party requirements and we believe the most appropriate party would be PTL. The role of PTL as a project co-ordinator would ensure that similar approaches between PTL and the individual DSO can be agreed and any contractual arrangements can be standardised.