

**BGE(UK) comments on NIAER Paper
“The NI Gas Transmission Regime - The Way Forward”**

BGE(UK) as DPO and Transporter for the North-West Pipeline (NWP) and South-North Pipeline (SNP) are pleased to submit comments on the NIAER paper on the development of the Northern Ireland transmission arrangements circulated on 20th December 2005.

BGE(UK) agree that activities need to be prioritised to ensure the necessary transportation arrangements are in place to facilitate the introduction of the South-North Pipeline (SNP) into the postalisised network in Northern Ireland currently scheduled for Q4 2006.

BGE(UK) agree that a two-phase approach to the further development of the gas transmission regime in NI is the best way forward and notes the NIAER intention that priority is given to the October 2006 workstream, i.e. incorporation of the SNP into the NI regime.

The analysis carried out by the DPO's as part of the NI pressure report indicates that Interconnector (IC) Capacity for NI will not be required for a number of years and agree with NIAER that it may be sensible to defer development of the necessary transportation arrangements until such time as the arrangements are required.

BGE(UK) agree that the development of arrangements to facilitate South-North flows may be overtaken by the development of the All Island Market in Gas (AIMG) and agree that Shippers should indicate that there is a definite requirement for, and undertake to use, such services before the transportation regime is modified to incorporate these requirements.

BGE(UK) agree that given the physical link between the gas markets North and South with the completion of the SNP it is sensible to put in place arrangements to allow gas to flow through the SNP in the event of an emergency.

The SNP provides key security of supply benefits for NI in the event of a capacity restriction or emergency on SNIP, accordingly it is important that the suitable arrangements are agreed and in place in advance of such an eventuality.

It should be noted that due to the high sub-sea Interconnector pressures, North to South physical flows may not be possible.. BGE(UK) support the proposal that clear principles including commercial considerations should be developed by the relevant authorities as soon as possible to allow gas flow through the South-North Pipeline in the event of an emergency. We look forward to working with the relevant authorities North and South to develop such arrangements.

Appropriate arrangements will be required to enable gas to exit the Rol network and enter the NI network, and this may require code modifications North and South to ensure proper allocation of this gas after the event.

The existing transportation regime was developed and implemented by the DPO's on foot of a common proposal which was approved by NIAER after consultation with industry.

One of the main drivers identified by NIAER for rationalising the existing transportation regime is the operation of the proposed Phoenix off-take at Lisburn

which will be an additional greater Belfast Exit Point from the South-North Pipeline and the Postalised Network, and have requested that the DPO's clarify how the Lisburn offtake will operate.

There are a number of options for the incorporation of Lisburn into the postalised network including;

- under the existing transportation regime where Phoenix will ship gas through SNIP/PTP and NWP/SNP and work with in the existing arrangements for nominations and allocations.
- under a modified version of the existing transportation arrangements which would allow for a single NI nomination and allocation process with a consequent single balancing and disbursement regime on the postalised network.

BGE(UK) are currently in discussion with the other DPO's on ways to streamline and rationalise the existing transportation arrangements including development of alternative arrangements for treatment of Lisburn. BGE(UK) anticipate that we will revert to NIAER in conjunction with the other DPO's with our proposals shortly. NIAER's direction on the way forward will be sought including NIAER's view on the various options and their implementation.

BGE(UK) are keen that any rationalisation of the existing transportation regime be carried out in a cost effective manner and agree with NIAER that any developments in the Northern Ireland transportation arrangements will take account of the developing All Island Market in Gas (AIMG).

BGE(UK) agree that streamlining of the existing NI transportation regime can take place in parallel with the development of the arrangements for the introduction of SNP. BGE(UK) feel that any timescales developed for such improvements should be considered in conjunction with the timing of the development of the AIMG in order to minimise costs.

BGE(UK) note that NIAER have decided to continue with an interruptible product in Northern Ireland. BGE(UK) further note that interruptible service is one of the requirements of the recent EC 1775 regulation. BGE(UK) are considering the introduction of an interruptible service on foot of a code modification proposal to the BGE(NI) Transportation Network Code and are keen that any such service should meet the requirements of EU legislation. BGE(UK) suggest that the Northern Ireland gas industry consider an appropriate timetable for implementation of EC1775, which if implemented will have major impact on the transportation regime.

On the issue of offtakes from SNP in Rol BGE(UK) are working on proposals with the regulatory authorities North and South to develop and implement mutually acceptable arrangements which will meet the legal and regulatory requirements North and South.

In conclusion BGE(UK) look forward to working with NIAER, DPO's and PS Gas Suppliers to develop arrangements to allow for the introduction of the SNP into the Northern Ireland postalised network. BGE(UK) look forward also to developing and implementing such other improvements agreed with industry to streamline the existing transportation regime, in conjunction with rules and timescales for the developing AIMG.

17th Jan 2006