

Regulation (EC) No 1775/2005: Impact on Northern Ireland's Gas Transmission Network – NIAER Consultation May 2006

Summary of Responses

1 Introduction

- 1.1 Ofreg received five responses to this consultation, from:
- a. Energia
 - b. Centrica
 - c. ESB International
 - d. firmus energy
 - e. Phoenix Supply

This note sets out Ofreg's view on the key issues raised by respondents.

2 Overview

Recap of Consultation Paper

- 2.1 Ofreg's view is that the Regulation requires the introduction of a number of services that are not currently in demand. The cost of introducing these services may very well outweigh the benefit, and accordingly Ofreg would prefer that new services are not introduced until the market is more mature and there is genuine demand.

Respondents' views

- 2.2 All respondents were supportive of Ofreg's view to avoid incurring unnecessary costs through the introduction of services for which there is no demand. However some respondents expressed an immediate interest in a number of services, whilst others expressed an interest if and when market conditions are right for their introduction.

Ofreg's view

- 2.3 Ofreg remains committed to ensuring the DPOs comply with the Regulation. Where genuine demand exists for new services, Ofreg will work with the DPOs and shippers to ensure all parties' needs are met whilst keeping costs to a minimum.

3 Interruptible capacity

Recap of Consultation Paper

- 3.1 The Regulation requires that interruptible capacity be made available, and that it be priced to reflect the probability of interruption. PTL currently offers an interruptible product and charge £0 per annum for this type of capacity. BGE (NI) plan to introduce an interruptible product later this year.
- 3.2 Following responses to Ofreg's December consultation paper¹, Ofreg concluded that changing the current interruptible arrangements and/or applying a charge for interruptible capacity will have little effect on bookings. Ofreg is minded to make no amendments until at least 2008.

Respondents' views

- 3.3 Most of the respondents agreed with Ofreg's view that the current interruptible arrangements do not need amending.
- 3.4 One respondent stated that they hoped an interruptible product is made available on the North-West Pipeline ("NWP") later this year.

Ofreg's view

- 3.5 As respondents agree that the current interruptible arrangements work well, Ofreg proposes that no amendments be made to the interruptible product on offer including its pricing. With regards to an interruptible product on the NWP, BGE (NI) plan to propose a modification that would lead to the introduction of such a service later this year.

4 Short-term access to firm capacity

Recap of Consultation Paper

- 4.1 Ofreg's primary concern regarding the introduction of short-term access to firm capacity is the impact it is likely to have on Postalisation. Making the necessary amendments to licences and network codes would be a time consuming and costly exercise.

¹ "The NI Gas Transmission Operational Regime: The Way Forward", NIAER, December 2005.

- 4.2 If a short-term access product is made available Ofreg envisages that a profiled pricing methodology be employed, whereby it would be more expensive in the winter when demand is high and less expensive in the summer. If priced correctly shippers who ship gas all year round should not stand to gain from reducing their 12 month firm booking and then topping up using short-term bookings to meet peak demand.

Respondents' views

- 4.3 Some respondents stated they saw no need for a short-term access product. Others expressed an interest, dependant on the pricing.
- 4.4 One respondent was of the view that short-term access to firm capacity was crucial for encouraging competition in the Greater Belfast area.

Ofreg's view

- 4.5 Phoenix Distribution currently books all transmission capacity on SNIP on behalf of Belfast shippers. Therefore Belfast shippers will only be able to avail of short-term access if Phoenix Distribution chooses to offer it. However Phoenix Distribution will be under no obligation to offer this as the Regulation applies only to transmission. Encouraging and incentivising Phoenix Distribution to offer short-term access may prove difficult.
- 4.6 Ofreg will give the matter some further consideration including how such a product might be priced. Ofreg will continue to discuss demand for such a product with shippers.

5 Online information on capacity and balancing

Recap of Consultation Paper

- 5.1 Under the current regime with long-term firm capacity bookings, the information provided regarding available capacity may only ever change a few times a year, if at all. This information could be facilitated relatively easily via a web page. If short-term access is made available, then an online product would have to be developed.
- 5.2 With respect to online based information on the balancing status of network users, PTL does not offer such a service. However BGE (NI) does provide information

to shippers on the NWP, allowing shippers to compare their nominations and actual off-takes. This information is updated hourly.

Respondent's views

- 5.3 Most shippers agreed that under the current regime it was not necessary to have real-time information regarding available capacity. However the suggestion of a web page, to be updated as and when changes do occur, was welcomed.
- 5.4 With regards to information on balancing, some respondents expressed an interest in this service. One respondent pointed out that balancing information on the NWP was provided only for large customers and that the service should be extended to smaller customers on NWP. Also, that the provision of balancing information should be made available on PTL's system as well.

Ofreg's view

- 5.5 Ofreg will consider the views of respondents and discuss the provision of online information with the DPOs.

6 Secondary trading of capacity

Recap of Consultation Paper

- 6.1 PTL currently offers secondary trading of capacity down to a minimum period of one month, and BGE (NI) is considering a modification proposal to offer the same. If changes are made to facilitate trading down to a period of one day the same problems will be faced as for the introduction of short-term access.

Respondents' views

- 6.2 Some respondents expressed an interest in this service.

Ofreg's view

- 6.3 Ofreg has recently been working on issues regarding secondary trading of capacity. Ofreg will continue to consider how secondary trading of capacity on a daily basis might be incorporated into future changes to NI's gas transmission regime.

7 Conclusion

- 7.1 Ofreg thanks all respondents for their comments. There is a consensus that whatever changes are made as a result of the Regulation, the costs to be imposed on users of the transmission network should be kept to a minimum.
- 7.2 Many of the services required by the Regulation are meant to encourage and facilitate competition. However it should be noted that there is much work to be done on the distribution and supply side of NI's gas market before the Regulation's transmission services can have a positive impact. Many of the issues regarding the opening of the gas market are being considered by the Gas Market Opening Group ("GMOG").
- 7.3 Ofreg will begin the process of considering appropriate licence modifications to facilitate the introduction of new products and their associated tariffs, whilst retaining consistency of the licences with the Postalisation formulae. And work is currently underway to ensure compliance with the transparency requirements of the Regulation.
- 7.4 Ofreg will continue to work with shippers to gain a better understanding of their needs, and will also continue to work with the DPOs in an attempt to reach agreement on how the requirements of the Regulations are to be applied. Ofreg is available to discuss this matter with any interested party if they so wish.