

***Response to Northern Ireland Authority for Energy
Regulation consultation***

**“ Incorporating the South North Pipeline into the Northern Ireland
Gas Transmission Regime ”**

prepared by

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for and on behalf of

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1. Introduction

Premier Power Limited welcomes the opportunity to respond to Northern Ireland Authority for Energy Regulation on “Incorporating the South North Pipeline into the Northern Ireland Gas Transmission Regime” paper.

2. Premier Power Limited

Premier Power Limited is a wholly owned subsidiary of BG Group plc. The company owns and operates Ballylumford Power Station, the largest power station in Northern Ireland. In recent years its long-term power purchase agreements with NIE were the subject of a buy out. Recently it completed construction of a £200 million 600 megawatt combined cycle gas turbine power station at the site. The new plant is fully contracted to NIE until 2012 at the earliest.

3. Executive Summary

IC capacity should be identified by PTL/TSO on the basis of SNIP forecasted flows plus annual, monthly, weekly and daily nominations and historical flow data. This information can then be used to model SNIP usage and determine realistic capacity requirements.

IC capacity should be booked by PTL/TSO as it can determine when SNIP's capacity will be fully utilised. PTL is also in the best position to interface with IC on a daily basis and can set standing orders to work to. IC capacity should only be booked once a definite quantity and requirement has been identified.

The booking of capacity will be determined by BGE (RoI) rules and requirements but it will be important to ensure that the product on offer is pay as you go and no more expensive than installing compression on SNIP. Currently IC charges are around 90% capacity 10% commodity and are therefore excessive for short term use.

It is likely that a single system operator would reduce administration and costs however it is possible to continue with 3 DPOs and a TSO to co-ordinate provided that this is no more expensive and administration is streamlined.

An interruptible product should be retained on SNIP and priced along similar lines to the current regime to ensure that SNIP is fully utilised. The product on offer on IC should be interruptible or likened to a pay as you go service. If this product is not available on IC then all other alternatives should be explored prior to booking any capacity on IC. The quantity and duration of capacity required should be modeled to ensure that the product purchased is of best value to the NI consumer.

4. Booking Capacity

(1) How should offtakes from SN in RoI be treated?

Offtakes from the BGE(NI) postalised pipeline in the RoI should pay the postalised tariff without any additional tariff from BGE (RoI). Any additional IC costs associated with this extra load should not be postalised but likened to out of merit costs. IC should be a pay as you go service and should have a tariff for wheeling assuming gas can flow in both directions in S/N. The regulatory regime of offtakes needs to be clearly defined. PPL believes that offtakes should be regulated by NIAER since they would be part of the postalised system.

(2) Should NI shippers' RoI transmission costs (other than IC) be postalised?

Shippers' ROI transmission costs (other than IC) should only be postalised if SNIP is full or for reasons of system security.

5. Identifying IC Capacity

(3) How should required IC capacity be determined?

IC capacity should be based upon nominations and therefore the required demand. IC capacity should not be used until all other cheaper alternatives to source or reduce the demand have been exhausted. All alternatives should be explored such as compression on SNIP and a closer working relationship with SONI and PNG.

An interruptible service on IC must be pursued by Regulators in both NI and ROI to ensure that IC will be used economically by the NI consumer and that the capacity product offered can be booked on a daily or hourly basis. It is important that some form of pay as you go service is offered so that the NI consumer is not penalised.

(4) Should factors other than NI demand and SNIP capacity be used to determine required IC capacity?

Economics and fuel diversity for electrical demand plus trades on electrical interconnectors should also be considered in addition to NI demand and SNIP capacity when determining IC capacity. Such coordination would require a TSO.

The product on offer on IC should be likened to pay as you go service and not financially prohibitive. It may be possible for SONI to reorganise fuel mix on days of high capacity demand thus reducing the overall gas demand therefore the need for IC capacity.

6. Booking IC Capacity

Option A

(5) Should Shippers book IC capacity?

It would be easier for shippers if PTL / TSO coordinated the booking of IC capacity as it can best determine when SNIP is full.

(6) How would Shippers be reimbursed if they pay IC tariff?

If shippers are required to pay the IC tariff they should be reimbursed from the PoT.

Option B

(7) How problematic would it be for a DPO to sign up to the BGE (RoI) code?

Since PPL is not a pipeline operator it is difficult to comment on this area however PPL would be interested in the DPOs and BGE(RoI) views.

(8) Which DPO should perform this role?

The TSO role should be performed by PTL as it is in the best position to judge when SNIP is fully utilised and co-ordinate flows through the network.

7. IC Operation

Option 1

(9) Should Shippers be obliged to make all nominations through SNIP first?

Shippers should be obliged to make all nominations through SNIP first unless the economics or system security dictate otherwise.

(10) How easily will it be for NI and RoI code timings to work together?

BGE(RoI) should give a presentation highlighting the problems it would envisage taking into account the current interfaces between BGE and the network before PPL could comment fully on this

(11) Should IC code charges be recovered through postalisation?

IC code charges should be recovered through postalisation provided that either SNIP is full or IC is being utilised for system security reasons.

Option 2

(12) Should Shippers nominate on IC no matter how much daily capacity is available on SNIP?

Shippers should only nominate on IC if SNIP capacity is unavailable otherwise they should pick up any increase in SNIP's operating cost i.e. out of merit costs. A pay as you go product for capacity on IC should be made available on a daily or hourly basis to minimise costs for the NI consumer. If the product on offer has to be booked for longer periods of time and there is a definite requirement then the price paid should be more economic than either introducing compression or reorganising the fuel mix.

Option 3

(13) What agreements will need to be in place to facilitate option 3?

Agreement between all DPOs, Shippers and SONI.

(14) What arrangements should we seek to put in place with CER/BGE (RoI) for shipping NI gas on IC?

Arrangements should be put in place to ensure that shipping NI gas on IC is carried out at least cost to the NI consumer. Discussion needs to take place on how gas could be shipped to Donegal and a similar philosophy employed i.e. some form of wheeling tariff.

8. Single TSO

(15) What are the costs to Shippers of having to deal with four codes, three balancing area etc.?

Shippers having to deal with three or more codes not only increases administration costs but also potentially increases the response time of the system. This also leads to potential balancing charges between system operators.

(16) What obstacles do DPOs see to creating a single TSO?

PPL is not a DPO and therefore is not able to comment.

(17) What contracts will have to be drafted/amended?

Shipper's Licences, Transportation codes and Moffat Agreements would need to be amended.

(18) What structure should the TSO take?

The TSO should be able to liaise quickly and on a 24 hour basis with all parties in diagram 1 in the appendix. It should also have telemetry to see the physical flows and pressures on the system.

(19) How should a TSO be financed?

A TSO should be financed along similar lines to PTL. I.e. from the postalised PoT.

(20) Who should be the TSO?

PTL or its Agent should act as TSO as it can best judge when SNIP is fully utilised.

9. Interruptible Service

(21) Do parties want to see an interruptible service continue?

PPL would like to see an interruptible service continue to ensure SNIP is fully utilised.

(22) What charge do consultees think appropriate for an interruptible service?

The charge should be along current lines. If shippers have firm capacity then they should have a percentage interruptible capacity available to use. SNIP capacity must be fully utilised before any IC capacity is bought.

(23) What additional costs would a 100% load factor tariff bring?

A 100% load factor tariff will incur extra code and license changes as well as software and administration costs.

10. Other Questions

PPL would also like to see the following questions answered and would welcome a meeting to discuss the issues in this response further.

- How does the IOM deal with its offtake from IC2 and how many codes has it signed up to?
- How is Stranrear dealt with in the postalised tariff?
- If Donegal is to be fed from the postalised network how is it to be treated?
- What is the maximum capacity on S/N pipeline and can it flow in both directions?
- Who will Regulate the S/N pipeline ?