

Incorporating the South North Pipeline into the Northern Ireland
Gas Transmission Regime
A Response by Premier Transmission limited
To Northern Ireland Authority for Energy Regulation
July 2005

Introduction.

PTL is expected to reduce the cost of gas transportation by some six million pounds in its first year of operation as a mutual. It will achieve this by efficient use of capital markets and by not paying dividends to shareholders. Mutualisation has the potential to further reduce gas transportation costs, thereby enhancing the competitiveness of gas as a primary fuel and in power generation.

A single Transmission System Operator (TSO) would reduce the cost and complexity of gas transportation in Northern Ireland (NI). This in turn would lower the barriers to entry for shippers and suppliers thereby helping to open the NI gas market. This is in the long-term interests of developing the NI gas industry.

Executive Summary

Several options have been discussed in this consultation, however we believe that a single “ Transmission System Operator (TSO) with an entry exit regime and single system balancing is the simplest, least cost solution for NI and should be our primary objective. PTL wish to work with all interested parties to further this objective.

We suggest a forum be created where workable solutions can be developed based on this objective. NIAER could produce clear terms of reference and a timetable linked to the construction of the S/N pipeline.

A single TSO for NI is likely to be independent of all DPO's but have service provide from each depending on their status and capability. PTL recognise that this will require harmonisation of existing network codes and selection of systems (probably existing), which will meet the needs of NI and fit into the all Island context.

Response to Questions in Consultation

Q1 How should offtakes from SN in RoI be treated?

A1 Any monies received should obviously contribute to the postalised system (POT), it is recognised that this tariff may need to be harmonised with the current BGE (RoI) charging methodology to avoid market distortions.

Q2 Should NI shippers' RoI transmission costs (other than IC) be postalised.

A2 No.
Consideration of this could only be made in the context of an all island Network Code and postalisation system.

Q3 How should required IC capacity be determined?

A3 By PTL who current have a licence obligation to do a NI 5 year Capacity Statement.

Q4 Should factors other than NI demand and SNIP capacity be used to determine required IC capacity?

A4 These are the main factors, such as supply to towns on the S/N pipeline and the need for "Emergency Capacity" to supply firm distribution capacity. These should be considered on a cost benefit analysis basis.

Q5 Should shippers book IC capacity

A5 This would be the least favourable option and should only be considered if there were no agreement on a single TSO firstly or secondly PTL booking this capacity (preferably by extending its existing Transportation agreement)

Q6 How would shippers be reimbursed if they pay the IC tariff

A6 By paying this tariff it produces a market mechanism to minimise bookings, as the charge would be fully reflective of costs. However this would be a disincentive to future development of the industry, we have no firm view on this other than considering it undesirable.

Q7 How problematic would it be for a DPO to sign the RoI code.

A8 This would mean that we would be required to operate as a shipper on the BGE (RoI) Code whose development was governed by CER in the RoI while being a transported using its own code governed by NIAER.
There are clearly significant issues of complexity and risk which we have not fully addressed as we consider it a poor outcome. Much work would be required to examine the risks, and associated implications for our operation and our finance documents, licence etc.

Q8 Which DPO should perform this role

A8 We have not formed a view on this as it considers it an undesirable out come and should be avoided.

Q9 – Q12

A9-12 We have not formed a view on this as it considers it an undesirable out come and should be avoided.

Q13 What agreements need to be in place to facilitate option 3

A13 PTL currently has a transportation agreement with BGE between Moffat and Twynholm, which allows shippers to transit this pipeline with no need to accede to its code. This arrangement could be extended for the IC section to Gormanstown.

Q14 What arrangements should we seek to put in place with CER/BGE (RoI) for shipping NI gas on IC?

A14 All parties have just completed a consultation on interconnection from the UK system at Moffat where a “special case” status was argued. This could be extended for NI and allow exemption to the RoI code. CER and NIAER are clearly the key to successful negotiation of this.