

Incorporating the South North
Pipeline into the Northern Ireland
Gas Transmission Regime
A Consultation Paper

Northern Ireland Authority for Energy
Regulation
July 2005

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Glossary

ARR	Annual Required Revenue
BGE (RoI)	Bord Gais Eireann (Republic of Ireland)
BTP	Ballylumford Torytown Pipeline
CER	Commission for Energy Regulation
DCMNR	Department of Communication, Marine and Natural Resources
DPO	Designated Pipeline Operator
IC	Irish Interconnector
NW	North-West Pipeline
PNG	Phoenix Natural Gas
PoT	Postalised Pot
PTL	Premier Transmission Limited
SN	South-North Pipeline
SNIP	Scotland Northern Ireland Pipeline
TSO	Transmission System Operator

Section One: Executive Summary

The completion of the South North Pipeline (SN) in October 2006 will introduce a new entry point to the Northern Ireland (NI) gas network at Gormanston, Co. Meath and will require a revamped operational system in Northern Ireland. This paper highlights a number of options for a new operational system and seeks the views of all interested parties on the points raised and any other observations they may have on the issues.

At the moment the NI system operates on a point to point basis whereby shippers book capacity and nominate daily on each individual pipeline along their route, though they only pay one set of charges - the postalised tariff. The fact that the Scotland Northern Ireland Pipeline (SNIP) will soon be full and SN completed will mean that some NI volumes will now have to flow from Moffat in Scotland through the Irish Interconnector (IC) and into the NI network at Gormanston. The IC is owned and operated by Bord Gas Eireann (BGE (RoI)) and therefore some party in NI will have to book capacity, nominate daily on the IC and pay the IC tariff. The Northern Ireland Authority for Energy Regulation (the Authority) has already stated in its October 2003 Decision Paper that any NI volumes (above maximum SNIP capacity) flowing through IC will be paid by all NI gas consumers as part of the postalised tariff. This still leaves a number of decisions to be finalised on how NI will interface with IC on an operational level.

The Authority would like to highlight the probability of a single all-island gas tariffing regime in the future which will impact on any system designed as part of this project. However, we must have an appropriate system finalised and implemented in time for October 2006. Unfortunately this is in advance of any future decisions on an all-island gas regime and so this project will have to produce a regime that is capable of standing on its own. The Authority is committed to ensuring that any regime agreed as part of this process will not obstruct any future all-island regime.

The paper considers a number of key issues that must be finalised in order to produce a coherent operational regime post-SN. These key issues can be summarised as follows:

- How should required IC capacity be identified?
- Who should book IC capacity?
- What party should interface with IC on a daily basis?
- Should we continue with three operators in NI or move towards a single system operator?
- Should we retain an interruptible service and how should it be priced?

We analyse the implications of the various options with regard to modifications of licences, codes and the need for ancillary agreements. The Authority's analysis highlights that there is no straightforward option and each of the choices will involve significant modifications to current contracts and agreements and require considerable input from all parties in designing and implementing the new regime.

From this analysis the Authority views the options as being a choice between extending the current regime, whereby we retain a point to point system and shippers interact separately with each point along the system, and introducing an operational regime where shippers would only deal with their exiting Designated Pipeline Operator (DPO) and the DPOs would arrange for gas to be transited from its NI entry point to the shippers exit point. We refer to the latter as an exit regime. We accept that this is in some ways a simplification of the options and that variations lie between these two options.

Under the point to point system, shippers may be obliged to sign up to four codes, interact daily with three operational interfaces, transit through three balancing zones and provide credit to the NI postalised system and BGE (RoI). The Authority is minded to conclude that this is a level of complexity too far and could be interpreted as a barrier to entry for small shippers in NI. The exit regime would provide shippers with a simplified and efficient service where they will only have to interface with one DPO. We believe that this is a superior option though we recognise that it will require a new level of co-operation between the DPOs.

The Authority has also taken this opportunity to re-examine the possibility of introducing a single Transmission System Operator (TSO) to NI. We believe that given the amount of

negotiations and modifications that will be required no matter what course we take, it would be prudent to consider whether this would be an opportune time for proceeding with the implementation of a single TSO. We do not underestimate the task of introducing a TSO licence and ensuring the TSO and DPOs have appropriate agreements in place by October 2006. However we believe that the benefits to the NI gas consumer are such that we will seek the commitment of all parties to begin work to identify the workstreams which will have to be completed to achieve this goal.

Section Two: Introduction and Background

This consultation is to assist the Authority in determining the appropriate operating structure to put in place in order to facilitate the incorporation of the South North Pipeline (SN) into the Northern Ireland gas transmission operating regime. The implementation of any decision will take time and will require modifications to codes, licences and ancillary agreements. Therefore, the Authority proposes to reach its decision on the appropriate mechanisms by Autumn 2005. In order to achieve this deadline we are now seeking the views from all interested parties on the points discussed in this paper and any other relevant issues they wish to raise. The paper concentrates on the treatment of the Irish Interconnector (IC) in the new regime but we are aware that other modifications will need to be made such as code modifications to facilitate the flow of gas in two directions. While these are just as important they should not require as much analysis and debate.

We consider below a number of options to facilitate SN implementation and have asked consultees to respond to a number of points. We hope we have included all relevant practical options but welcome other potential solutions from parties including any suggestions based on international experience. In addition, we have attempted to identify some of the necessary modifications associated with each option though we accept that this is a non-exhaustive list at this point.

The Authority recognises that this paper is written against a background of an all-island gas project and will make any decisions arising from this paper bearing in mind the impact such a decision would have on any all-island strategy. In particular we would not wish to implement any changes which raised any future barriers to all-island harmonisation. However, it should be noted that these structures will have to be in place by October 2006, before any all-island structures, and it is difficult at this point to try and forecast what decisions now might hinder any all-island decisions in future but we welcome any views on the subject.

The rest of this paper is laid out as follow: the rest of section two will look at the background outlining how the current system operates.

In section three we consider how IC capacity will be identified. We also examine the question of who should book IC capacity and the implications of the shipper or DPO performing this role.

Section four evaluates the options for how NI will interface with IC on a daily basis. We appraise the merits of obliging shippers to perform this role and consider whether we should try and maximise SNIP utilisation on a daily basis to limit IC commodity costs. We also examine the arguments for and against a DPO performing the role.

Section five discusses the possibility of introducing a single TSO to NI and we attempt to list the benefits and obstacles that such a project would encounter.

Section six seeks consultees' views on value of the NI system continuing to offer an interruptible service post-SN. The section reviews the appropriate charging methodology for such a service.

Section seven presents some of the Authority's preliminary analysis and sets out its initial thoughts on how an appropriate regime might be designed.

Background

The South North Pipeline linking the Irish gas transmission system at Gormanston, Co. Meath to the North West pipeline at Ballyalbanagh in Co. Antrim will be built by BGE (NI) next year and is scheduled to be completed by October 2006. The project is currently progressing successfully and all parties anticipate that the timetable will be achieved.

The decision has already been made that the SN will form part of the postalised network and so will fit into the financial regime as part of BGE (NI)'s required revenue. However

as part of the process of putting an operational regime into place for postalisation, the Authority agreed to postpone the necessary decisions and structures to accommodate SN until a later date. The only relevant principles that the Authority has stated are that any operational regime should minimise costs to gas consumers by maximising the utilisation of the SNIP pipeline. This principle was not questioned by any party.

The Current System

The current Northern Ireland Gas Transmission Network is made up of three separately owned pipelines. The SNIP links Twynholm in Scotland with the Ballylumford power station in Co. Antrim and is owned by Premier Transmission Ltd (PTL); the BTP runs from Ballylumford to the Belfast distribution network and is owned by Phoenix Natural Gas Ltd (PNG); the North West Pipeline (NW) links the Ballylumford Torytown Pipeline (BTP) at Carrickfergus to the Coolkeeragh power station in Co. Derry. A map is provided in Appendix A of the whole Irish transmission system for a pictorial presentation. The current operational regime is based on a point to point system so that shippers are required to book capacity from Twynholm through to their exit point on each network, sign up to each network code and interface with each system as appropriate¹. The current system has always been regarded by the Authority as a second best choice to a single TSO whereby shippers would have to sign one network code and nominate to one operator. In order to ensure a system with three DPOs would produce as seamless and efficient a service as possible, intensive and lengthy consultation between the Authority, the DPOs and shippers was required.

¹ It should be noted that the PNG system is operated by PTL though it does have its own network code

Section Three: Booking Capacity

The introduction of SN marks more than another pipeline as it also brings with it a new entry point to NI at Gormanston. For the purposes of this paper, we refer to gas entering SN through the Irish Interconnector (IC). However it is also possible that gas may enter through the Irish on-land system in future. The Authority is aware of this issue and is involved with the Commission for Energy Regulation (CER) in ongoing discussions to consider the implications.

While the IC sources all of its gas from Moffat (just as SNIP does) it is not part of the Northern Ireland system and so, under the current regime, any gas transiting IC will incur the relevant tariff and will require the relevant nomination. The Authority has already accepted that the IC charges accompanying these gas flows will form part of the postalised tariff but need to consider how this is formalised and how NI gas flows through IC are managed.

The Authority's earlier decisions on SN did not deal in any detail with the position of offtakes from the SN in RoI. This may occur when gas users in RoI located close to the SN may decide they want to link to SN rather than the BGE (RoI) network. There are currently no plans for any such offtakes and the Authority has not yet finalised with BGE (NI) how these offtakes will be tariffed. However, we have no plans of including these loads in the postalised tariffs and we will if necessary discuss appropriate tariff arrangements with BGE (NI) and CER.

The Authority indicated in its October 2003 postalisation decision paper that it would allow shipper costs of getting gas to Gormanston to be postalised. On further analysis, the Authority believes that there are differences between allowing IC costs into postalisation and allowing other RoI costs. The postalisation of IC costs ensures that NI shippers bringing gas to Moffat (essentially a NI entry point) are not penalised for having to use IC (because SNIP is full) and so are no worse off than NI shippers bringing gas to Moffat who have SNIP capacity. We remain to be convinced that this reasoning holds for

shippers using other RoI transmission assets to, for example, transport gas from Corrib to Gormanston. If we were to postalise these costs then one could argue that we should postalise NI shippers' GB transmission costs as well. Therefore the Authority would need to be persuaded of the arguments before agreeing that other RoI transmission costs should be postalised.

Q1 How should offtakes from SN in RoI be treated?

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

Identifying IC Capacity

As it has already been decided that IC will only be used once SNIP is full it will be necessary to designate a party to judge when SNIP is full and design a system so that SNIP will be fully maximised. The Authority believe that the SNIP operator is obviously in the best position to lead this and so our initial thoughts are that all capacity bookings must first go through the SNIP operator to determine if SNIP has enough spare capacity to facilitate the request. At the very least the SNIP operator will need to be consulted. This system will require an obligation on all shippers to firstly seek capacity through SNIP. This obligation could be enshrined in the codes though it might be less complex if it is a shipper licence provision. It would also mean all NI shippers having to sign the PTL network code.

The question also arises of whether it should be the DPO's or shipper's responsibility for notifying the SNIP operator of capacity demand. This will depend on whether the current capacity booking system is retained and this is discussed below.

We would also like to examine whether any considerations other than total NI demand and maximum SNIP capacity should be factored in to the calculations of required IC capacity. Given that NI will only need IC capacity for a number of hours on a small number of days in the early years it may be a very expensive product and we believe that

some cost benefit analysis should be considered to examine the potential of back up fuels to limit the amount of required IC capacity. With the levels of commercial interruption in Northern Ireland on winter days this may prove a worthwhile exercise though environmental concerns will have to be factored into any analysis.

If we decide to factor in other considerations they will have to be set out explicitly and transparently so that the relevant operator will have clear instructions when calculating required IC capacity. This principle would be best served by outlining all factors and any calculations in the codes, though we recognise that this may have repercussions on other areas of the code e.g. capacity reductions.

Q3 How should required IC capacity be determined?

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

Booking IC Capacity

It will be necessary to ensure that a party books the required IC capacity with the IC operator BGE (RoI). The party booking this capacity will have to pay the relevant IC tariff and we need to decide who should book this capacity and how they will be reimbursed by the postalised system. Two options are considered below.

Option A

Shippers are informed of how much of their requested capacity SNIP can accommodate and then they book any difference on IC.²

Under this option, systems will have to be in place to reimburse the shipper through the postalised system. This could take place either directly (whereby the shipper has a relationship with the Postalised Pot (PoT)) or indirectly (whereby the shipper is

² Shippers can, of course, book what they like on IC but only the allowed amount will be reimbursed through postalisation

reimbursed by his DPO who in turn deals with the PoT). Numerous shippers having a direct relationship with the PoT will require significant changes to the postalised arrangements e.g. PSA agreement, licence, PSA model. This could result in extensive negotiations and redrafting between all parties.

Designing a system whereby the shipper would only deal with his DPO would avoid these problems but would still require code modifications as we assume these payments will be formalised through the codes. The problem then becomes how the DPOs will get their monies from the PoT. This could be problematic for BGE (NI) and PNG as their licence is clear that their Forecast Required Revenue (FRR) must equal their Actual Required Revenue (ARR) and could not be altered to reflect forecast IC volumes differing from actuals. Any alteration to this would require significant licence changes. One possible solution would be for PTL to deal with all IC revenues and cater for any forecast errors in its ARR, though this will also need licence amendments to change the definition of PTL FRR and ARR and all NI shippers would have to sign the PTL code.

This option is bound to produce an example where SNIP can handle some of a shipper's capacity request but not all. This will mean the shipper having to sign up to four network codes, including the BGE (RoI) code, which increases shipper costs and complexity and is discussed in detail in Option 1 below.

Q5 Should shippers book IC capacity?

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

Option B

Once the amount of required capacity on IC is calculated, a DPO then books this amount on behalf of NI consumers.

This gets around the problem of how the shipper in option A gets paid by the postalised system but raises other issues. Given the current BGE (RoI) code, the DPO will have to sign up to this code in order to do nominate on the RoI system which may present issues for the DPOs.

We would also need to choose a DPO to perform this function. It could be the SNIP operator as he will have the capacity figures or it could be BGE (NI). Given that PNG do not operate their own transmission pipeline we assume they will not want this role. Whoever performs the role will have the costs added to their ARR, though as discussed in Option A, this might present problems to BGE (NI) and PNG.

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

Q8 Which DPO should perform this role?

Section Four: IC Operation

Once NI has acquired IC capacity someone is going to have to arrange that the relevant volumes are brought from Moffat to Gormanston on a daily basis. Again we look at a number of options below which we consider practical and would like respondents views on these and whether there are any other appropriate options not considered here. The options below are linked to Options A and B in Section 3 above and we review the overall solution in our preliminary view.

Option 1

Shippers put all nominations through SNIP and only when SNIP is full would shippers be informed that they can nominate through IC.

This option would require all shippers to nominate initially through SNIP. Even if they do not hold SNIP capacity they would be obliged to make an interruptible nomination. It has the advantage of minimising IC costs in comparison with option 2, but it will raise timing issues with the SNIP operator having to reject nominations before the shipper can go and nominate on IC. No matter which suite of options is finally selected, work will need to be done to clarify how the NI and RoI networks will work together from a timing and administrative point of view. It appears that the BGE (RoI) code timings are more lenient on shippers which may allow a solution within the current framework. Ofreg will work with the DPOs to clarify this situation. Under this option there would have to be an obligation on all shippers to firstly make nominations through SNIP either in the code or licence.

As mentioned in Option A above some shippers will have capacity on both IC and SNIP and thus will have to sign up to four network codes (this is also true for Option 2 below). Among other things this will mean having to nominate through a number of codes, having three balancing zones and providing more than one credit guarantee. This option risks creating a complex and ungainly system that is unattractive to shippers. We need to analyse the total costs involved, both ongoing and implementation costs, before any

decision can be made, but there is no doubt that both Option 1 and 2 will result in increased shipper costs.

We will also need to decide whether code charges incurred by NI shippers on IC should be reimbursed to some extent through postalisation and what incentives this might create. The Authority is minded to allow these costs into the postalised regime in the same manner that PTL balancing costs between Moffat and Twynholm are postalised. With the Gormanston meter being set at nominations (as the Carrickfergus meter is), the balancing charges should not be significant.

Q9 Should shippers be obliged to make all nominations through SNIP first?

Q10 How easy will it be for NI and RoI code timings to work together?

Q11 Should IC code charges be recovered through postalisation?

Option 2

All those shippers with IC capacity nominate on IC on a daily basis.

Under this option any shipper with IC capacity would be under no obligation to nominate first through SNIP and would go straight to the IC operator with any nomination. This option also means there will be extra IC costs though the commodity proportion of IC is only 10%, accounting for approximately £70-400k of NI costs on an annual basis over the next four years. On the other hand shippers with IC capacity can nominate on IC without having the extra burden of having to nominate to SNIP initially. This option also suffers from increased costs for shippers from having to sign up to four codes as discussed above in Option 1.

Q12 Should shippers nominate on IC no matter how much daily capacity is available on SNIP?

Option 3

All nominations go through the SNIP operator and a DPO then nominates any amounts above SNIP capability on IC.

Any DPO nominating will have to sign the BGE (RoI) code which raises similar questions to Option B above. Under the current regime this will require a supply licence from CER/DCMNR and may raise some concerns around dual regulation. However, given that it is a supply licence it is not clear what extent these risks are and we can discuss possible exemptions with CER.

Given the arguments that the whole Irish industry has put forward about due and undue discrimination in relation to Moffat, it should be possible to put a strong argument to CER and BGE that gas transiting IC to NI could be treated differently to RoI gas, just as we would treat any gas flowing through the NI network to Donegal differently. The easiest way for this from a NI perspective is for the PTL-BGE agreement to be extended to cover Moffat to Gormanston or some similar arrangement to be put in place. Obviously a payment regime will have to be calculated to ensure BGE (RoI) receives the correct revenues but it could ensure a much less complex operational regime for NI. Ofreg plans to discuss these issues with CER in the near future as part of our regular meetings.

This option has timing issues with BGE (RoI), similar to Option 1, and again these need to be considered. In many ways this option is linked to Option B as if the DPO is legally in a position to book IC capacity he should not have any legal issues with nominating on IC.

If Option 3 is chosen, we will require changes to the current arrangements as for example a NW shipper will not know whether his gas is arriving at Twynholm or Gormanston. This option will require greater levels of co-operation and communication between the DPOs than currently exist and will need significant adjustments to the Northern Ireland Network Operators Agreement (NINOA) and other agreements. This would lead us from a point to point regime to an exit regime. In essence we envisage that, for example, a NW shipper would nominate to his DPO and the DPOs would work together to ensure gas

reaches the exit point by the most efficient route. Some work along these lines was considered during postalisation discussions but they did not develop due to PTL concerns regarding the treatment of aggregate shippers. We believe it would be sensible to reevaluate the efficacy of such a system. Of course, such measures would not be needed if NI had a single TSO which is discussed below.

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

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

Section Five: Single TSO

The Authority continues to be of the opinion that a single NI TSO is the best solution for operating the gas transmission regime. This will undoubtedly give shippers a simplified and more efficient service with one operational interface compared to the four they may face without a single TSO. A single TSO would also have the benefit of reduced costs for the NI system and make NI much less formidable a market for new shippers to enter. One network code would reduce everyone's operational and legal costs and we would avoid the duplication of services three TSOs bring.

A single TSO would make Option 3 above easier to implement and less complex. Shippers could book capacity at their exit point and allow the TSO decide the optimum way of getting gas to that point on a daily basis. Thus when the TSO receives the daily nominations he can book any flows over SNIP maximum through IC and deliver gas to the NI exit point through the SN. A single TSO will need to address the concerns outlined in Option 3 of signing the BGE (RoI) code. Of course a single TSO could also operate under Option 1 and 2 above on the basis that shippers book capacity on IC.

It is hard to estimate the costs of implementing a single TSO. Obviously it will require legal input to outline and execute the legal arrangements between the DPOs and the TSO. We also need to gauge the DPOs concerns in giving up operational control over their pipelines and we need to ensure rights and obligations are clearly defined. We do not believe that there is a significant financial concern for DPOs and we believe that any legal issues can be overcome.

We recognise that a lot of work will be needed to establish such a body. High level principles of how such a body will be set up, who will own it, how it will operate and how it will be financed need to be addressed and will require a separate consultation. The legal basis is already in place as Article 6 Paragraph 4 of the Gas Order (1996) as amended by the Energy Order (2003) allows the licencing of such a body. We will need to ensure all relevant contracts are in place to establish rights and obligations amongst the

DPOs and TSO and current agreements and contracts will have to be examined to determine the implications a TSO will have on each one.

The Authority believes that with good will and co-ordination on all sides a TSO could be in place by October 2006. We request that all DPOs commit themselves to working together to identify the necessary workstreams which need to be completed to facilitate the introduction of a single TSO.

Q15 What are the costs to Shippers of having to deal with four codes, three balancing areas etc.?

Q16 What obstacles do DPOs see to creating a single TSO?

Q17 What contracts will have to be drafted/amended?

Q18 What structure should the TSO take?

Q19 How should a TSO be financed?

Q20 Who should be the TSO?

Section Six: Interruptible Service

In the 2004 postalisation licence and code modifications, the Authority agreed to an interruptible service priced at the commodity tariff but subject to review on completion of the SN. The concern at that time was that once SN was operational, there would be no capacity constraints in NI and so any interruptible service would result in shippers fleeing from firm to take advantage of cheaper interruptible service with a low likelihood of actually being interrupted.

Given that the RoI system does not offer an interruptible service and that only stated IC charges would be allowed to be postalised, we are not convinced that continuing with an interruptible service would result in a flight from firm. Even if BGE (NI) introduces an interruptible service, it is difficult to see how a shipper could play the system. For example if a Belfast shipper does not book firm on SNIP and relies on interruptible, he is highly likely to be interrupted (as SNIP is full). If Option 3 from section four is implemented and the DPO books IC capacity and makes nominations, then it is possible that the shipper could receive a de facto interruptible service through IC if all of NI's firm IC capacity is not being used. However, on a peak day when we anticipate that all of NI firm capacity will be used, the shipper will be interrupted. He could try and buy firm capacity on IC and enter through Gormanston but would then have to pay for a full year's capacity on IC which would not be viable for the few days he is interrupted. In summary we do not think the introduction of SN significantly reduces the likelihood of interruption.

Some changes will have to be made to the codes as SN will allow sufficient capacity for Ballylumford and Coolkeeragh power stations so the current arrangement where they take turns in being interrupted will have to be modified. We anticipate that this will result in a return to the process whereby interruptible nominations will be interrupted first.

While the Authority is minded to continue with an interruptible service, we would like to consider how such a service should be priced. The Authority discussed this issue in its

June 2003 consultation paper where it considered the merits of charging at the commodity tariff (which we decided on) or charging according to a 100% load factor. A 100% load factor charge would continue to offer an interruptible service at a discount to firm but would have the effect of reducing the discount. This is a common and widely used method in other systems (e.g. USA and Argentina) that prices the interruptible service at the price a firm capacity holder would be paying if it had a 100% load factor, which is the cheapest charge possible for a supplier if he booked firm capacity. This option charge is calculated according to the formula below, with factor C set at 1.

$$\text{Interruptible charge} = \frac{\text{Total postalised required revenue x factor C}}{\text{Total forecast firm capacity booked x365}}$$

The implications of introducing an increased interruptible charge that differs from the commodity charge may be significant. DPOs may have to adjust their IT systems to facilitate a separate charge. Modifications will have to be made to the licences, codes, PSA model and possibly ancillary agreements. Given the scale of modifications needed to implement such a change and the increasing likelihood of interruption above, the Authority will need to be convinced that keeping the current charge unchanged would undermine the operational regime. We do accept that if the commodity charge is retained, this will have to be reviewed in 2008 when the commodity percentage of the tariff falls to 25%.

Q21 Do parties want to see an interruptible service continue?

Q22 What charge do consultees think appropriate for an interruptible service?

Q23 What additional costs would a 100% load factor tariff bring?

Section Seven: Authority's Preliminary View

The SN pipeline is going to be built next year and is going to bring major changes to the NI operational regime. The implementation is going to require significant changes to codes, licences and ancillary agreements irrespective of what options are chosen. These modifications will have to be in place before October 2006 and it is up to the Authority and industry to move quickly to ensure that a regime in the best interests of NI gas consumers is selected and executed within this timeframe. In this section the Authority sets out its preliminary analysis of the options presented. This is a preliminary analysis and final decisions will depend on consultation, legal review and a thorough analysis of all relevant information.

We view the options as lying in a spectrum which ranges from the extension of the current regime (A1 and A2) to moving to an exit model (B3) operated by a single TSO. We have summarised the options presented in this paper in the table below.

OPTIONS	1	2	3
A	√	√	X
B	X	?	√

As the table above displays, the only combinations of options viable are A1, A2 and B3. We accept that within these options there will be further possible variations but for now we analyse these alternatives.

There is some uncertainty regarding the combination of B2. This would require the ability of a DPO to book IC capacity and shippers to nominate using this capacity. This is what currently occurs in the Belfast market where PNG Distribution book capacity on SNIP for Belfast shippers who can then use an interruptible service on SNIP in the knowledge that capacity is there for them. However IC does not have an interruptible service. This combination might be feasible if the DPO could subcontract the nominations relating to this capacity to the relevant NI shippers (or appoint them as

agents). At the moment it is unclear whether the agency and sub-contracting sections of the BGE (RoI) code are flexible enough to facilitate multiple shippers acting as agent and we are discussing this with BGE (RoI) this.

The combination of A2 would essentially represent an extension of the current system whereby the onus would be on shippers to interface with the relative codes by booking their own capacity on the three NI networks and IC. They would also have to nominate on each relevant network on a daily basis. The Authority is of the view that this would be a rather cumbersome system. As we have stated this will result in a shipper having to make nominations on a given day to BGE (NI), PTL and BGE (RoI) just to get gas from Moffat to NI. This could be construed as a barrier to entry for a small shipper trying to enter the market.

The difference between A1 and A2 is that A1 would oblige shippers to first nominate through SNIP on a daily basis (even if they do not have SNIP capacity). This is preferable to A2 in that it will reduce IC charges to some extent but we will need analysis to see if the procedural timings between SNIP and IC will facilitate such a step. Otherwise it has the same drawbacks as A2 with shippers having to deal with multiple operators. The Authority is well aware of the potential of all-island issues to transform this whole debate and make many of the issues redundant. Thus, one might argue that this option could be implemented on an interim basis until an all-island system is agreed which would take us to a new paradigm. However the Authority would like to note that there is no guarantee of what an all-island system might look like or when it might be agreed.

A regime which combined the B3 options would also represent some difficulties. It is a more fundamental change than that represented by A1 and A2 and there are obstacles in implementing such a regime. We would need to design and implement a new level of co-ordination and co-operation between the DPOs. Nonetheless, as a regime it would offer a superior service for shippers compared to the other choices and combined with a single TSO would ensure NI could offer shippers a simple, efficient and effective transmission product. Thus the Authority is minded to begin an examination of the feasibility of

introducing an exit regime with a single TSO and hopes to begin discussions with all parties on all of these issues shortly.

Section Eight: Consultation Responses

The Authority invites views on all aspects of this paper from all interested parties including consumers, consumer representatives, shippers and operators. We are particularly keen to hear views on the specific issues and questions raised by this paper.

Responses should arrive no later than 23rd August and should be addressed to:

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Please state whether you are responding as an individual or representing the view of an organisation. Responses to the consultation will normally be made public unless respondents request that they should remain confidential. Respondents should clearly mark any part of their response (or, if appropriate, the whole response) which is to remain confidential. Where possible any confidential material should be assigned to an appendix.

If you wish to discuss any aspect of this paper please contact either Brian McHugh or Carl Hashim at Ofreg.

Appendix A: Map of Irish Gas Transmission Network

