

Viridian Energy Supply Ltd

(Trading as "Energia")

Energia House,
62 New Forge Lane
Belfast BT9 5NF

17th January 2006

Mr. Brian McHugh
Northern Ireland Authority for Energy Regulation
6th Floor, Brookmount Buildings,
42 Fountain Street
Belfast BT1 5EE.

Ref: "The NI Gas Transmission Operational Regime – The Way Forward" – a Document from NIAER dated December 2005.

Dear Brian,

General Comments:

- (1) In general evidence in the broader world wide community suggests that it is not normal regulatory or governmental policy to have preferential gas transportation charges in one jurisdictional regime for the benefit of users in another jurisdictional regime. This could be interpreted as discriminatory towards certain parties and certainly shows undue preference for one category of user. Hence it does not appear to be a good idea for NI Shippers to seek preferential treatment in their use of any assets that form part of the ROI gas system, and indeed Energia would not support OFREG in seeking such a facility (if it were to consider such a move which appears to be suggested in the paper).
- (2) Energia query how NIAER propose to deal with the issues raised in the EU Directive EC 1775/2005 which demands certain products, and services, be available from July 2006 – these issues do not appear to be addressed in this consultation paper. Does Ofreg envisage complying with this Directive by 1st July 2006 or does it intend to apply for a derogation?
- (3) Given the pressures typically understood to exist in IC1 and IC2, the capacity of IC1 and IC2 compared to SNIP, the compression facilities of IC1 and IC2, the fact that the ROI has indigenous supplies from Inch and Seven Heads, and will have indigenous supplies from Corrib, it appears highly unlikely that there will be any flows of gas from North to South on the SN Interconnector at any time.
- (4) Any Code of Operations document details the rules surrounding the arrangements via which Shippers/Suppliers can make use of a Transportation system pipeline operated by a Transporter. To this extent any changes to any Codes of Operation should engage Shippers/Suppliers as much as possible as it is they who are a party to the Codes and they who pay the bills. Hence Energia encourage OFREG to actively consult on any proposed modification that may come out of the discussions Ofreg is having with CER and the DPOs. Further Energia does not believe the current code modification process in NI is ideal as it does not appear to sufficiently facilitate discussion with a view of achieving consensus on the best result for most parties. Energia strongly suggests that there should be a forum established where any proposed modification to any code is discussed. Any Code

modification would be presented to the forum by the proposer and then the proposer is questioned on the modification. Following this, written submissions should be submitted to the forum secretariat after which the comments would be analysed, discussed and an attempt made to achieve consensus which either (i) rejects the modification or (ii) accepts it totally, partially or variation of same. It is suggested that the newly created Gas Market Opening Group might be an ideal place to start this forum.

Specific Comments:

- (1) Energia agree with OFREGs view that a more simplified mechanism of making use of the Interconnector to ROI in order to provide gas to NI would be beneficial to all users in NI. However it is suggested that if the system remained complicated this is not the end of the world and that it is more critical how the asset is used, when it is used, and how the cost of its usage is paid for by NI users.
- (2) Energia support the notion that both the October 2006 Workstream and the workstream on the more simplified usage of the IC should proceed simultaneously to the maximum extent possible.
- (3) **Gas Flows from South to North:** Energia agrees with the view expressed by NIAER that it appears unlikely under the current tariffing regime for it to be economic to ship gas from UK via IC to ROI and up through SN to NI as gas shipped via this route will be more expensive than gas shipped to NI via SNIP.
- (4) **Gas Flows from North to South:** Energia agrees with the view expressed by NIAER that it appears unlikely under the current tariffing regime for it to be economic to ship gas from UK via SNIP and SN to ROI as gas shipped via this route will be more expensive than gas shipped to ROI via IC. Changes in the Postalised tariff regime which may make this economic by creating a “transit tariff” would not be supported by Energia as the Transit Shippers in ROI would be paying a lower per unit charge than NI users which is not appropriate.
- (5) Energia are unclear how it could be thought operationally possible for gas to flow from North to South due to pressures. The Pressure entering SNIP is essentially the same as that arriving at Gormanston – thus it is believed that the pressure at Gormanston would be substantially higher than any gas leaving the IC, travelling through SNIP and down through the SN. Energia would be interested to have some details on this issue from NIAER to see how such flows could occur?
- (6) Energia agrees that Ofreg should have mechanisms in place to make use of the SN pipeline in the event of an emergency. The quickest mechanism is to simply have a mechanism which pays the appropriate tariff as due (even if the calculation of the cost is complicated). Once such emergency regime is in place so that NI is prepared for an Emergency then refinements can be made to the methodology.
- (7) Energia, like Ofreg, would also like the DPOs to advise how the Lisburn off-take from SN would be used. It was Energias understanding the link from the SN Interconnector to the PNG System at Lisburn was for purely security of supply reasons and to ensure appropriate pressure stability. Hence it was understood this “entry” point to the PNG system would mostly not be used on a day-to-day basis. Can the DPOs please confirm or deny this?
- (8) **Interruptible Service:** The regime of charging the commodity tariff only for Interruptible capacity and not paying any capacity tariff at all appears inappropriate given the high cost of capacity in NI, as it is argued it does not charge a true cost which is representative of the true “value” to the user of using the gas pipework system. Energia agrees that the cost of interruptible capacity (if there is such a product in a market) should be cheaper than the cost of using firm capacity however the cost should reflect some portion (greater than zero) of the capacity charge.

Should NIAER or OFREG have any queries in relation to any of the points raised in this response Energia would be pleased to clarify such issues, and if it be NIAER's or OFREG's wish to meet with Energia to discuss the issues Energia would be happy to facilitate such a meeting.

Yours sincerely,

Derek Russell

Derek Russell
Commercial Development Manager
Energia