



Brian McHugh
Gas Transmission Branch
Ofreg
Queen's House
14 Queen Street
Belfast
BT1 6ER

Date: 24th January 2006

Dear Brian,

Re: The NI Gas Transmission Operational Regime – The Way Forward

Thank you for providing firmus energy with this opportunity to respond to the above.

Firmus energy welcomes the principles set out in this paper so that the decisions for implementing new transmission operating regimes, procedures and associated modifications are considered in an all-island gas market context.

In relation to the specific questions posed in the paper, firmus energy can confirm the following:

- **What services Gas Suppliers require and whether they agree with Ofreg's assumptions.**

1. Gas Flows from South to North:

If there is sufficient capacity available to import gas through the SNIP, it may prove uneconomic to import gas through the South-North pipeline. Therefore it is critical that the capacity is available, should Ofreg decide not to develop South-North flow processes at this stage.

This is especially important for domestic Suppliers, who have a licence obligation to maintain flows. If the issue of booking firm capacity on SNIP is not resolved, rules should be put in place for South-North flows prior to the start of the 06/07 gas year.

Firmus energy would be interested in the possibility of using the South-North pipeline as a storage facility, as in the case of the second inter-connector to RoI. This could potentially give access to lower commodity costs at a time of high energy costs. However, further consideration needs to be given as to whether any potential commodity cost savings would outweigh higher transportation costs.

2. Gas flows from North to South:

Firmus energy believes, given current market conditions, that this is unlikely, in the short-run.

3. Emergencies:

Firmus energy agrees that high level principles are essential and we would welcome the opportunity to agree an incident protocol with relevant parties.

- **How the Lisburn off-take will operate.**

Firmus energy would welcome the opportunity to review off-take arrangements with interested parties.

- **Interruptible Services.**

Firm capacity was not available on SNIP in 2005/06 to new entrants forcing booking of interruptible capacity for the entire portfolio. If this situation was to continue a standard interruption regime would be inappropriate for 06/07.

Currently suppliers pay a postalised firm transmission charge, based on the exit point. If the issue of firm capacity on SNIP is not resolved promptly, suppliers will be paying a postalised charge based on firm bookings where not all suppliers will have a firm booking. If this arrangement is to continue, firmus energy believes it would end up paying higher capacity charges, leading to it being at a competitive disadvantage.

- **DPOs thoughts for streamlining the NI regime**

Firmus energy would be keen to be involved in any process that would help streamline the NI regime.

- **Swaps**

Firmus energy agrees that a discussion on the potential benefits of Swaps would be worthwhile.

- **Any other issues raised in the paper.**

None.

If you have any further queries, or you wish to discuss any of the issues, please feel free to contact me direct on 9442 7840.

Yours sincerely,

Michael Scott
Regulatory Affairs Manager