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Roisin McLaughlin
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Dear Roisin

CAG Discussions paper on the options for the Gas Operational Regime

Phoenix Natural Gas (Phoenix) welcomes the opportunity to respond to the joint Draft Conclusions on the options for the Gas Operational Regime.

As previously stated Phoenix fully supports the principle of exploring opportunities to reduce the cost that customers pay for natural gas in Northern Ireland. We believe that any change that would remove complexity, create a more efficient operation and provides greater security of supply has to be encouraged. Phoenix acknowledges and agrees with the key principle within the paper that the areas been discussed relate only to the operation of the transmission system.

In relation to the specific conclusions reached by the paper Phoenix would have the following comments:-

- 1) Phoenix agrees that the functions that should be carried out by a single Transmission operator is the long term management of transportation arrangements, day to day operations, balancing the system, capacity trading, aspects of congestion management and end-of-day allocations functions.
- 2) Phoenix does not have a specific view on whether a single TSO or a Single Service Provider (SSP) is the best option. Ultimately this decision most come down to which one delivers the greatest benefits while still ensuring that each asset owner is able to deliver a safe operational regime that meets the requirements of their respective Safety Cases. Phoenix would request that whatever option is implemented that the resulting model ensures that all parties involved

are incentivised to deliver reductions in operational costs, which are passed back to all consumers in a timely manner.

We do however note that if the option of a SSP was the preferred solution that there would be no relationship between the SSP and the Regulatory Authorities and in particular the SSP's costs would not be price controlled. We believe that a certain level of control by the Regulatory Authorities is necessary and again we would iterate that the SSP should be incentivised to ensure operational costs are minimised.

- 3) Phoenix supports the decision that a unified transmission code will be developed that will facilitate independent distribution codes. Phoenix continues to be of the opinion that there is no need to harmonise the distribution codes at a later date or to consider whether the separate distribution codes should be aggregated into the unified transmission code to create a unified code for all levels of operation.

Although the Greater Belfast consumer has paid for the development of the Phoenix Distribution Code a mechanism could be found by which this Code could be rolled out to the remainder of NI and therefore adopted by firmus, and in some way ensure that all Northern Ireland distribution consumers pay for its development. Phoenix believes that the marginal cost of firmus adopting its Code would be significantly less than firmus developing its own Code from the outset and would enable a single Distribution Code to operate throughout Northern Ireland.

Phoenix does not believe that a single unified code (combining transmission and distribution) is necessary. Having operated both transmission and distribution systems for over eleven years we firmly believe that the market processes required to manage a transmission system with a few offtakes is relatively straightforward when compared to the more complex distribution system with 120,000 customers currently connected to it. A distribution system experiences many more activities on a daily basis i.e. gas emergencies, maintenance, interruption to supply due to damages, general interruption to customers for localised network constraints, extensions to the network, hundreds of new customers per week and requires specific processes to manage these activities which we do not believe are necessarily compatible with the transmission regime.

If you have questions in relation to Phoenix's response please do not hesitate to contact me.

Yours sincerely

Ivan

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