

BGN Comments on NIAUR Draft Forward Work Plan

1st April 2012 – 31st March 2013

20th Jan 2012

Introduction

BGN ¹ welcome the opportunity to comment on NIAUR's draft Forward Work Plan on behalf of BGE (UK) Ltd. BGE (UK) are broadly supportive of the objectives outlined in the Forward Work Plan and are submitting the following comments on some of the areas outlined.

Compliance with European Legislation

Part 3 – Key Challenges

We note that one of the key challenges identified in part 3 is delivery of harmonised energy markets through projects such as CAG. We remain committed to the CAG project and believe it will deliver benefits to the consumer on the island of Ireland but we are keen that this be done in conjunction with industry participants in an achievable timeline.

We note reference also to the importance of EU developments including the third package. One of the key elements of the third package is gas regulation EC715 which came into force in March 2011. As you are aware, BGE (UK) are keen to implement the requirements of the gas regulation as soon as possible. We look forward to working with NIAUR and industry participants in NI on implementing this and other EU initiatives to increase the level of harmonisation of EU energy markets.

Part 6 – FWP Projects 2012-13

We note in part 6 that NIAUR have identified some projects proposed for the time period 2012-13. We note reference to work on the CAG project and we look forward to continuing to work on CAG with NIAUR and industry participants North and South, including harmonisation of the distribution /retail arrangements.

We note reference also to implementation of EU network codes at interconnection points and agree that this is a project which needs to be progressed as the development and

¹ BGN the Networks division of Bord Gáis Eireann, is submitting this response on behalf of BGE(UK), a conveyance licence holder in NI, and as the service provider to all the TSO's on the island. BGE (UK) a subsidiary of Bord Gais Eireann, was awarded a Conveyance Licence in Northern Ireland in February 2002 for the North-West pipeline (NWP) and South-North Pipeline (SNP). BGE (UK) operates under the trading name BGE(Northern Ireland) or BGE(NI) in Northern Ireland.

implementation of the ENTSOG Network codes is a requirement of gas regulation EC715. We would point out that the gas regulation requires the implementation of entry/exit transportation regimes and the EU codes will likely be developed by ENTSOG to be compatible with entry/ exit regimes. As NI is retaining a point to point regime for 2012, it is likely that additional work will be required to move to entry/exit before such codes can be adopted in NI. Resources and time required to implement this project will be a key consideration.

We welcome the establishment of the European Network Codes NI group by the Utility Regulator and we look forward to working with other industry participants in this important forum.

Security of Supply

We note reference to implementing the EU Security of Supply regulations, while work is underway at a high level, we believe that as this work progresses to the next level of detail, significant input will be required from the designated Competent Authorities, The RA's and the TSO's in the Ireland/UK region to successfully implement the Regulations in a practical and workable manner. We look forward to working with NIAUR, together with the other regional RA's and TSO's on this project. The Security of Supply Regulations put a direct obligation on TSO's to develop bi-directional capacity at cross border interconnection points. We would welcome direct involvement with the Utility Regulator on progressing the required initiatives.

Regulatory Transparency and Certainty

Given the importance of stability in a regulatory regime, we would welcome further clarity in the Forward Work Plan on how the Utility Regulator proposes to progress the recent consultation on proposals for a cross-utility approach to Network Price Controls. Regulatory certainty and transparency are critical to the cost of capital and the attractiveness of Northern Ireland as an investment location and, as a result, are key to the protection of longer term consumer interests.

The public comments of Fitch Ratings in relation to the Phoenix Natural Gas Limited Price Control raise serious concern. Comments of this nature, particularly from a ratings agency, serve to further highlight the importance of regulatory predictability and transparency.

We look forward to the finalisation of the Forward Work Plan and to working with the Authority and other industry stakeholders on the relevant areas outlined in the plan. Please do not hesitate to revert with any queries or to further discuss any of the matters raised above.