



GAS TO THE WEST LICENCE APPLICATIONS

SSE AIRTRICITY RESPONSE TO
CONSULTATION ON PROVISIONAL DECISIONS

OCTOBER 2014

Introduction

SSE Airtricity supplies electricity and gas to approximately 800,000 customers across the island of Ireland and is the owner of the regulated gas supply business in the Greater Belfast area. SSE Plc is the ultimate parent company of both the SSE Airtricity retail electricity and gas supply businesses operating in Northern Ireland and is also a part owner of one of the licence applicants (SGN). SSE Airtricity supports the Utility Regulator's drive to deliver the Gas to the West project, allowing up to 40,000 customers to benefit from access to a cleaner and economical energy source.

UR's facilitation of competition

As a supplier, SSE Airtricity does not have a view on the network investment and financing arrangements set out by the competing bidders and our comments are therefore confined to the process followed by the UR in reaching the stage of choosing the preferred bidder.

In relation to gas, the UR's statutory obligations include;

- to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland,¹
- to facilitate competition between persons whose activities consist of or include ... participating in the conveyance of gas;²
- ensuring that system operators and system users are granted appropriate incentives, in both the short and the long term, to increase efficiencies in system performance and foster market integration³;

In relation to promoting an efficient gas industry in Northern Ireland, the UR has implemented a competitive process for the award of the new gas licences that will implement the Government's Gas to the West policy. SSE Airtricity believes that the approach taken by the UR is consistent with its general statutory obligations in relation to promoting an efficient and economic gas industry in Northern Ireland and in particular, has been effective in doing this by promoting competition between gas conveyers. The effectiveness of this competitive process is evidenced by the number of companies and combinations of companies that have brought forward proposals, drawing on a broad range of industry background and experience. Customers can therefore be confident that licences will be awarded to entities that have proposed the combination of factors offering best value to customers.

Transparency of information

SSE Airtricity has followed the Gas to the West process since its launch in February 2014 and notes that all questions in relation to the competition were published, along with answers, on the UR's website. This open and transparent process has ensured that all the competitive submissions will have been made on the basis of equal information. Customers can therefore be confident that the assessment process has been carried out on a level playing field, without the need for any "adjustment" to reflect differing understandings on the part of bidders.

Summary

In summary, SSE Airtricity accepts that the Utility Regulator has followed a process that will result in the award of new gas licences that are based on business plans that are both practical in terms of implementation and cost-effective in terms of delivering value to customers. With this sound foundation established, the UR can move forward to ensure that appropriate incentives for efficiencies in system performance are reflected in the conditions included in each of the licences.

¹ 14(1) The Energy (Northern Ireland) order 2003

² 14(5)(d) The Energy (Northern Ireland) order 2003

³ Article 40 (f) Directive 2009/73/EC of the European Parliament and of the Council