



## **Response to Utility Regulator Consultation**

### ***Implementing the European Gas Regulation (EC) 715/2009 in Northern Ireland***

***21 December 2012***

**on behalf of**

**AES Ballylumford Power Ltd and AES Kilroot Power Ltd**

**26 February 2013**

*Queries to*

Commercial Department  
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## 1. Introduction

As a major stakeholder within the Northern Ireland gas market, AES Ballylumford Limited and AES Kilroot Power Limited (collectively “AES”) welcome the opportunity to respond to Utility Regulator Consultation Paper – ‘Implementing the European Gas Regulation (EC) 715/2009 in Northern Ireland – 21 December 2012’ (the “Paper”).

## 2. General Comments

- 2.1. AES notes that within the Paper there are a number of references to work / studies already undertaken for the CAG project and the stated intent is to build on this work rather than adopting a clean sheet approach. The Utility Regulator (“UR”) has also stated that there will be a re-assessment of previous work undertaken for CAG to ensure it is applicable in a Northern Ireland (“NI”) only context.
- 2.2. In broad terms AES is supportive of this approach, particularly given the relative urgency for NI to become compliant with (EC) 715/2009. However, AES would emphasise that the reassessment process should be robust and transparent. There must be clear communication with Stakeholders on the findings of any studies. Although formal consultation with Stakeholders on each item may be unnecessary, sufficient opportunity must be afforded to Stakeholders for challenge and review.
- 2.3. AES would be concerned that sufficient time and resources must be allocated to ensure that the redesign of the rules / codes / licence conditions etc. for the NI Gas Transportation system delivers real benefits to Shippers and other stakeholders. In this context ensuring timely compliance must be weighed against the not insubstantial costs (time/effort/money) incurred in revisiting ‘sticking plaster’ solutions. Indeed the Paper references the need to revisit and refine the products introduced in 2012 (daily capacity product, virtual reverse flow product etc.) to make them more ‘user friendly’. Indeed, to AES this is a somewhat euphemistic term as many of these products in their current form are of no practical benefit other than to ensure compliance.
- 2.4. AES believes it is generally accepted that at some point in the future, the original goal of CAG will become reality – i.e. single system operation of an All-Island Gas Transmission System. AES notes and supports the UR’s intent that the design of a NI only regime will take account of a future All-Island scenario.
- 2.5. AES notes the intent to preserve the principle of Postalised tariffs in and entry exit regime. Whilst we understand the reasons behind this, particularly where the gas market is expanding into more remote regions as is currently the case in NI, this will mean the tariffs at each entry / exit point are not truly cost reflective. However, at this stage we raise this as a point of note rather than a particular concern.

### **3. Moving to Single System Operation in NI**

In relation to the specific question posed: -

- 3.1. At this stage AES believes that the UR has adequately described single system operation in NI.
- 3.2. Because of our geographical position, AES currently only deals with one TSO. Therefore we are not best placed to make a full assessment of all the benefits from adoption of single system operation. However, based on the assessments presented in the Paper, it is clear to AES that there would be benefits in terms of simplification from a users perspective in dealing with one TSO, one code and one IT system. Also having a single code will clearly be of benefit in terms of the modifications process.
- 3.3. In terms of the system operations functions listed in paragraph 3.13 of the Paper, AES believes this is comprehensive and achievable.  
However, it is less clear to AES as to where the boundary of responsibility lies between a new entity single TSO (or to a lesser extent a CJV) and the asset owners in terms of developing the 'system' (which we take to mean the physical assets). We find the Paper vague in this area and although it is too early in the process for detail, we would like to better understand what is envisaged.

### **4. Overview of Single System Operation in CAG**

In relation to the specific question posed: -

- 4.1. AES accepts the advantages/disadvantages proposed by the UR are comprehensive.
- 4.2. At this time AES broadly agrees with the list of criteria proposed for single system operation. However, we believe there should also be a criteria referencing ability to implement within an agreed timescale to achieve compliance. In other words, there is little point in expending time and effort to identify a clear best option if ultimately this is ruled out because it cannot be implemented in the time allocated. This should be part of the selection criteria.

It is unclear how the criteria will be utilised to identify the best option.

Is there to be a scoring system?

Should different criteria carry different weighting and if so who decides on the weighting (as different stakeholders will attached different importance to different criteria)?

- 4.3. With reference to our response in 4.2 above as regards scoring and weighting, AES broadly agrees with the assessment proposed against the criteria.
- 4.4. Insufficient information has been presented in the paper for AES to make a clear choice at this time. Setting aside our concerns re scoring/weighting as referenced in 4.2 above, on a straight comparison of the assessments in the paper, it would appear that the Single TSO option offers the best solution. However, as an end user (and Shipper) our primary concern is cost as this directly impacts on the competitiveness of our business. The Paper references differences as regards set up costs and ongoing costs but since no figures are presented we are not in a position to ascertain which is the least cost solution over say a five year timeframe.

Also, as referenced in 4.2 above, there needs to be an assessment of what is achievable in a given timeframe and, if necessary, an assessment of the impact of any fines and / or other infringement actions if the event that the otherwise best solution is likely to incur or exacerbate such fines.

- 4.5. AES would agree with the proposal to implement a single transmission code of operations and a single IT system in NI. However, as mentioned in our General Comments in 2.4 above, design decisions should take account of a future all-Island context.

## **5. Gas Regulation Compliance: proposed scope of work**

In relation to the specific question posed: -

- 5.1. AES does not require any other services at this time.
- 5.2. AES agrees with the proposal.