



GNI (UK) Ltd. Response
*to Consultation on Utility Regulator's
Draft Corporate Strategy 2019-2024*

January 2019

1. Introduction

GNI (UK) is the owner and operator of the North-West gas pipeline, which runs from Carrickfergus to the Coolkeeragh power station in Derry and the South-North gas pipeline, which runs from Gormanston, in County Meath, to Ballyclare, Co. Antrim, where it links into the North-West pipeline. GNI (UK) is licensed by the Utility Regulator (UR) to operate these gas transmission pipelines accordingly. GNI (UK) also operates the South-West On-Shore Scotland system (SWSOS), through which Republic of Ireland, Northern Ireland and Isle of Man gas supplies are transported on a daily basis.

GNI (UK) welcomes the opportunity to respond to the Consultation by the UR on its Corporate Strategy 2019-2024.¹

2. Response to Utility Regulator Draft Corporate Strategy 2019-2024

GNI (UK) notes that the Draft Strategy includes the following three Strategic Objective (SO) pillars:

1. Promoting Markets that deliver effective competition, informed choice and fair outcomes.
2. Enabling 21st century networks.
3. Enabling security of supply and a low carbon future.

Based on the information in the Draft Corporate Strategy, specific plans that appear to most directly affect GNI (UK) include the following:

- Enhanced market analysis and monitoring to facilitate consumer protection, assurance of compliance and enabling enforcement by UR, where the Regulator deems necessary (under SO 1);
- New enhanced energy market monitoring and reporting requirements (under SO 1);
- Price control reviews, in addition to reviews to ensure network companies robustly manage assets and the “*appropriate level of resilience*” (under SO 2);
- Innovation plans to be delivered as part of price control reviews (under SO 2);
- Cost and performance reporting and benchmarking (under SO 2);
- A new Transportation Agreement to ensure access to GB gas supplies after 2021 (under SO 3); and
- Price Control/ tariff implications from “*efficient investment*” to support decarbonisation targets and promotion of energy efficiency and renewable technologies (under SO 3).

GNI (UK) would welcome further detail from UR in respect of each plan/initiative outlined above, as the UR Corporate Strategy is finalised, to allow market players to ascertain a full impact assessment.

¹ Available at: <https://www.uregni.gov.uk/news-centre/draft-corporate-strategy-2019-2024-published>

Based on the detail provided to date, GNI (UK) provides the following key feedback:

- **Enhanced Market Monitoring/Reporting:** The initiative to increase market analysis/reporting requirements should assist UR in confirming that energy customers are being protected accordingly. It is important, however, to ensure that the level of analysis/reporting does not become a significant overhead on network operators/energy suppliers, in terms of generating and providing data/reports to UR. GNI (UK) would welcome engagement with UR in relation to the specific requirements for gas transmission pipeline operators in Northern Ireland (NI) in this regard.
- **Benchmarking of Utility Companies:** In relation to the initiative to benchmark utility companies, it is important to recognise that comparisons among utility companies will need to be considered carefully. Benchmarking the performance of diverse subjects, such as gas transmission systems, is difficult where the size, design and capacity of each system differs, in addition to the different commercial, geographical and regulatory regimes in which they operate. Therefore, it is problematic to establish “like-for-like” comparisons on which to base firm conclusions. It is suggested that rather than benchmarking utility companies, it would be more useful to review trends in terms of each individual company’s performance over time.
- **Innovation and Development:** GNI (UK) welcomes the inclusion of innovation and long-term network development plans, as part of the draft Strategy. GNI (UK) believes that there is merit in considering the long-term supply-demand scenarios for gas (and indeed electricity) in NI, and how future requirements will be met by existing infrastructure and relevant investments.
- **Secure access to GB gas supply after 2021:** GNI (UK) notes this initiative as a key element of the UR Corporate Strategy. As UR will be aware, GNI (UK) is actively engaging with Premier Transmission Limited (PTL) to deliver continued access to GB gas supply for NI post 2021, when the existing contractual arrangements are due to expire. In the broader context, to ensure continued security of supply, adequate allowances in the Price Control are required, to enable operators such as GNI (UK) to maintain their assets and ensure sustained efficient operation.

3. Other Considerations for UR's Draft Corporate Strategy 2019-2024

GNI (UK) would be supportive of the final version of the Corporate Strategy, including discussion/ initiatives in relation to the following:

1. Future Role of Gas in Northern Ireland
2. Green Gas Certification (GGC)

These elements, which are discussed in turn under Section 3.1-3.2, do not appear to be referred or alluded to in any substantive detail within the current draft of the Strategy. GNI (UK) considers their inclusion to be important, in order to ensure the development of a more holistic Corporate Strategy for NI's energy markets and transition over the next five years.

3.1 Future Role of Gas in Northern Ireland

Significant progress has been made on extending the gas network in Northern Ireland.² However, network extension/ infill needs to be coupled with the decarbonisation of the gas network, in addition to greater synergies between gas and electricity, to ensure the future role of gas in NI. Doing so will support achievement of NI's climate goals in a sustainable, secure and affordable manner.

The draft Strategy alludes to the significance of "*enhancing networks for the future*" and includes "*the Energy Transition*" as a key area of focus centred on decarbonisation and technological change. However, GNI (UK) would welcome additional detail in relation to how this would be delivered. In this regard, GNI (UK) believes that decarbonisation in NI cannot be achieved without the use and development of gases, including renewable gases, and the already established gas network. While the draft Corporate Strategy refers to the need to develop and deploy new technologies and innovations as part of an effective "*energy transition*", further details on the types of technologies to be adopted would be welcomed. In particular, GNI (UK) suggests that consideration should be given to development plans, in terms of the role that gas can play in freight/ transportation in NI in the next five years, and beyond.

Moreover, GNI (UK) encourages UR to advocate the significant role that the gas system can play in facilitating the development of renewable electricity generation and the electricity market in Northern Ireland. As the regulatory authority of both the electricity and gas networks, UR has a key role in ensuring the electricity and gas networks can play complementary roles in decarbonising NI's energy eco-system. In this regard, it is important to ensure gas continues to play a partnering role in ensuring the delivery of a sustainable future energy solution for NI. Greater co-ordination may increase the need for more effective communication between the Single Electricity Market (SEM) and gas market, given the increasing amount of renewables in the market and the greater need for gas support.

² Utility Regulator. (2018). Annual Report, 2018. Available at: https://www.uregni.gov.uk/sites/uregni/files/media-files/193300%20Utility%20Regulator%20Annual%20Report%202017%202018_V4_WEB.pdf

3.2 Green Gas Certification (GGC)

While the premise of ‘Supporting Renewables’ is alluded to as one of the eight key areas in this draft Strategy, there is no specific mention of a Green Gas Certification Scheme. A reliable method of tracing and verifying renewable gas origin is vital to providing confidence to consumers, particularly industrial users, that the gas delivered is renewable and can be accounted for in relation to emission reduction targets. Various studies are being undertaken at an EU level at present, in terms of proposals and recommendations for an EU wide Guarantee of Origin (GO) scheme, to allow cross border trading of GOs for both renewable and decarbonised gases (including the joint study by ENTSOG and GIE). UR may wish to consider supporting the development of a GCC scheme in Northern Ireland, to facilitate the uptake of renewable biomethane, given its commitment to *“support the growth of renewables”*.

4. Additional Comments

In the context of future policies and strategies, GNI (UK) concurs with the view of UR that the new Strategic Energy Framework will need to provide direction on areas such as renewables (particularly in the context of the EU’s Clean Energy Package), electricity and gas network infrastructure planning and the facilitation of new technologies (e.g. energy storage). GNI (UK) will closely monitor the impact of the new Strategic Energy Framework on its business operations in Northern Ireland.

GNI (UK) also recognises the uncertainty that Brexit brings to the gas and electricity markets, particularly over continued membership of the EU Internal Energy market by the UK. In such uncertain times, it is particularly important to establish and deliver on an ambitious, holistic and forward-looking Corporate Strategy for the gas network and market across Northern Ireland.

5. Conclusions

In summary, GNI (UK) would welcome consideration of the following, as UR finalises its Corporate Strategy 2019-2024:

1. Ensuring the nature of reporting/market analysis does not create a significant overhead on network operators/energy suppliers.
2. Ensuring that initiatives around benchmarking of utility companies recognise the limitations of direct comparisons.
3. Consideration of additional detail, in relation to the future role of gas and the development of a Green Gas Certification scheme.

Finally, GNI (UK) wishes to reiterate the important role that gas has to play in supporting renewables and the electricity market in Northern Ireland.