



Response to Joint NI TSO Consultation

**Capacity Allocation Mechanisms and Changes for
Entry-Exit**

Business Rules for Industry Consultation

on behalf of

AES Ballylumford Power Ltd and AES Kilroot Power Ltd

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Queries to

Commercial Department
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1.0 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 the joint NI TSO consultation paper ‘Capacity Allocation Mechanisms and Changes for Entry-Exit - Business Rules for Industry Consultation’ (the Paper).

2.0 Response to Consultation Questions

i) *The proposals for use of PRISMA.*

AES has no objection to the use of PRISMA as the capacity booking platform.

ii) *The IP Capacity products on offer.*

AES welcomes the flexibility afforded by the development of IP products of varying duration and would like to see the provision of the reciprocal products at NI exit points to enable NI Shipper greater opportunity to balance capacity bookings and actual flows.

iii) *The arrangements for secondary trading of IP Capacity.*

AES welcomes the development of the arrangements for secondary trading of IP capacity at an IP and believes that the ability to trade entry capacity will provide another facility to enable Shippers, particularly Generators, to better manage their exposure to the demands of an electricity system with increasing levels of intermittent generation. AES notes that the proposed notification time is 03:00 on the day of transfer

iv) *Whether or not Shippers would value a permanent arrangement in the Code for assignment of IP Entry Capacity, potentially including Quarterly IP Entry Capacity or whether a transitional arrangement for Yearly IP Entry Capacity would be sufficient.*

AES has no objection to the inclusion of a permanent arrangement in the code for the assignment of IP Entry Capacity, including quarterly IP Entry Capacity as again it may provide some optionality, but also believes that a transitional arrangement for one year may also be sufficient.

v) *The proposals to facilitate voluntary bundling of IP Entry Capacity.*

AES welcomes the TSOs proposals to facilitate voluntary bundling of IP Capacity including the notification of the adjacent transporter and Shippers and the associated invoicing arrangements as described. Although defined in the Network codes AES believes the overrun penalty charge to be excessive and although applied only at the IP would have concerns regarding the availability of short term capacity products, particularly within day to ensure that overrun charges are not incurred.

vi) *The proposal to remove the Daily Capacity product at Exit.*

AES has no objection to the removal of the current daily capacity product at Exit as in its

current form it did not provide flexibility benefit to shippers attempting to respond to short term changes in demand.

vii) The proposal to provide a firm Exit Capacity product by over-nomination.

As per our responses to previous consultations, AES would again reiterate its strong preference for the same products available at the NI Exit points as will be available at the Entry points (IPs) namely quarterly, monthly, daily and within day products, to enable shippers to match as accurately as possible the capacity booked at NI Exit with that booked at the IP. AES understands the points raised by the TSO relating to the difficulty in introducing short term products at the NI exit points at the same time as the IP requirements and welcomes the commitment to carry out a review of NI Exit arrangements in 2015.

AES notes that the flexibility that short term products provide will not be available in NI until at least 2016 and, appreciating the fact that there is likely to be surplus firm SNIP capacity available in the short term, AES welcomes the proposal to allow gas nominated above Exit capacity booking to be allocated.

AES is however strongly opposed to the proposed ratchet mechanism, the penalty charges to be applied (as it's unclear what these will be) and the duration the 'ratchet up' is applied for. As the only available product at NI Exit is annual capacity and with no detail on how that is to be allocated on a daily basis, the ratchet mechanism appears to increase the annual booked capacity quantity to the highest value used in any given day of that year. This value is deemed to apply from the following month for the remainder of the Gas Year (and presumably for the remainder of the contracted capacity period) regardless of how many days this quantity was required for. The fact that there are no short term products available at NI Exit means the Shipper has no opportunity to trade-out their position. The firm direction government has set for electricity generation is for flexible and intermittent / fast-acting generating plant to allow for the maximum possible utilisation of (intermittent) renewable generation. For a marginal electricity generator, it is therefore increasing difficult to make accurate load factor predictions. The proposed ratchet mechanism effectively saddles an intermittent generator with the maximum gas exit capacity they may use, regardless of the fact this may only be for a very limited number of days. Charges for such capacity are a direct cost on the generators bottom line and currently there is no mechanism to recover such costs from the (electricity) Market. Such costs will therefore push conventional intermittent generators to look at using liquid fuels. From an overall energy perspective this is highly undesirable not only as it will increase electricity costs but also in relation to an increased environmental impact.

AES therefore feels that the proposed penalty / ratchet mechanism at NI Exit is inappropriate, particularly if efforts have been made by the shipper to secure additional capacity at the NI Entry point and given that there are no options to match at the NI Exit point.

viii) The proposals for a Shipper Forecast Information Request form to collect annual Shipper forecasts.

AES has no objection to the proposal for a shipper forecast information request form to collect annual shipper forecasts however as mentioned previously the ability to forecast accurately for the coming year and for 10 additional years with the current changes to

the electricity market and the drive for renewable generation is becoming increasingly difficult and AES is interested to see the level of detail required in both forecasts.

ix) The revisions to the arrangements for accession and registration.

AES has no objections to the proposed amendments to the arrangements for accession and registration.