

5th January 2014

Stephen English
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Dear Stephen,

Thank you for the opportunity to respond to the Northern Ireland Transmission System Operators' (TSOs) consultations on:

- Capacity Allocation Mechanisms (CAM) and Changes for Entry-Exit Business Rules
- Gas Day Transition Business Rules

We recognise the need for NI to be compliant with EU Regulations, specifically EU 715/2009, which requires that charges for Entry and Exit Capacity should be levied separately, and also the CAM Regulation (EU 984/2013) which requires that capacity at interconnection points should be sold via an auction process.

firmus energy will look to modify its processes in line with these changes to ensure a smooth transition to the new regulations however, it must be recognised that the changes being introduced add a significant level of complexity and resource for firmus energy that currently does not exist;. Please see below some brief comments regarding the changes:

CAM and Changes for Entry-Exit Business Rules

The proposals for use of PRISMA.

The CAM Regulations specify the need for standard capacity products with specific durations of use, and processes (auctions) required for the allocation of capacity at Interconnection Points. Given this requirement, we believe the use of PRISMA is the best solution to this obligation. Given the intention of National Grid to join the PRISMA platform next year it is logical that the NI gas market embraces PRISMA to ensure an efficient and regulatory compliant Pan-European Gas Capacity trading platform. firmus energy encourage the NI TSOs to ensure the new interfaces, and the related record, between their own systems, to enable Shippers' allocations of capacity made via PRISMA are sufficiently robust.

The IP Capacity products on offer.

The six capacity products on offer - from annual yearly to within day - will successfully enable all NI shippers to accurately nominate their required capacity.

The arrangements for secondary trading of IP Capacity.

firmus energy welcomes the proposed arrangements for secondary trading of IP Capacity and believes this to be another useful tool allowing shippers to accurately nominate their capacity requirements.

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.

firmus energy supports the provisional arrangements with a view to reviewing these at a later date to ensure they work as they should, are unbiased, fit for purpose and suitable to all shippers. If they are still deemed appropriate after a suitable length of time, then the TSOs should propose making them permanent.

The proposals to facilitate voluntary bundling of IP Entry Capacity.

firmus energy believe the specifics detailed for the voluntary bundling of IP Entry Capacity, successfully covers all areas required for effective facilitation.

The proposal to remove the Daily Capacity product at Exit.

Given the new proposed arrangements coming into place, firmus energy sees no reason not to remove the Daily Capacity product at Exit.

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

firmus energy supports the need to implement the minimum CAM requirements for Virtual Reverse Flow (VRF), by offering an interruptible product at D-1 (and potentially via within day, via an over-nomination procedure).

However, firmus energy note it is proposed that, where the Distribution Network Operator (DNO) holds the capacity, the concept of an Exit Capacity Ratchet will be applied in aggregate. Whilst understanding the appropriateness of such a concept where Shippers have no requirement to book a minimum amount of capacity, firmus energy do not feel this is necessary to also introduce this concept where the Distribution Network Operator holds the capacity. Therefore we cannot support this concept. firmus energy already have a requirement to book this capacity based on where it is likely to have been exceeded in 1 year in 20. If such a concept was introduced it would add further unnecessary complexity for firmus energy and uncertainty for suppliers in terms of their monthly invoices. firmus energy request that TSOs reconsider the requirement for such a concept to be introduced where the capacity is held by the DNO.

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

firmus energy appreciates the requirement relating to the provision of information by Shippers to the NI TSOs for the purposes of determining transmission tariffs, system planning and the production of a Five/Ten Year Statement and a NI Pressure/Capacity Report (now known as the NI Gas Capacity Statement). As a responsible company and key stakeholder in the Gas Market Industry we would always attempt to provide information that is as accurate as possible. Nevertheless, we would ask that TSOs ensure Shippers are

provided with clear guidance on the information required to ensure that tariffs are set as accurately as possible and the level of end of year reconciliation is minimised.

The revisions to the arrangements for accession and registration.

firmus energy are content with the revised arrangements for accession and registration.

Gas Day Transition: Business Rules for Industry Consultation

firmus energy accepts the need to change the 'gas day' starting time of 06:00 to 05.00 to ensure compliance with EU Regulations, specifically the IME3 Regulation EC 715/2009. firmus energy notes the consequential proposal to alter the sections of the PTL, BGE(NI) and BGTL codes which contain specific time references. In order to ensure consistency with the TSOs a modification to the firmus Distribution Network Code will be required.

firmus energy are carrying out analysis to identify any areas of the existing firmus energy business processes which may require updating as a result of this change and we note the knock-on effect this change may have in terms of operational areas that sit outside the Network Code. This will also include an assessment of the resources required to implement the changes. These have been mentioned within the consultation and we are currently analysing new gas day start time ramifications relating to:

- Meter validation, metering equipment and telemetry equipment;
- Demand forecasting/estimation;
- Data flows and exchange;
- Timings of business transactions;
- Employment contracts; and
- IT systems.

I trust this response proves useful. If you require any further clarification on the responses provided, please do not hesitate to contact me.

Yours Sincerely,

Peter McClenaghan

Regulatory Affairs Manager