Response to Joint NI TSO Consultation

'IME3 Compliance for 2015

Allocations

Business Rules for Industry'

on behalf of

AES Ballylumford Power Ltd and AES Kilroot Power Ltd

4 December 2014

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 'IME3 Compliance for 2015 – Allocations – Business Rules for Industry Consultation' (the Paper).

2.0 Response to Consultation Questions

i) the introduction of the 'allocate as nominate' rule at IPs;

AES agrees with the proposal that a Shipper's allocation should be equal to its nomination as is supported by the Interoperability network code. However, AES is concerned that NI TSO's will not be party to the development of the Operational Balancing Account (developed as part of the interconnection agreement at Moffat).

AES has concerns regarding the allocation of steering differences intended to be controlled between TSOs on either side of the IP, which at the Moffat IP would be BGE(UK) and National Grid. AES would like more information as to the role of the NI TSO's in this arrangement, how imbalance limits will be set.

In addition AES would question the need for a Fallback Rule. If reasonable tolerances are set the any imbalances should be capable of being managed by the TSO's. Imbalances should only go outside of tolerance due error or equipment failures / faults (metering and / or flow control valves) and it would seem unreasonable to potentially penalise Shippers for such issues.

ii) the introduction of entry overrun charges ;

AES understands the necessity to incentivise Shippers to be in balance. On the assumption that a full suite of flexible capacity products at entry (including in-day) is available, we recognise and support the need for capacity overrun penalty charges.

However, the paper offers little rationale for a penalty of '8 x the daily rate' other that that's what is applied in RoI and GB. AES believes that the magnitude of the proposed penalty is overly punitive considering that there is not currently a physical overcapacity issue in NI. Also it is not clear what 'Daily Rate' is referring to (i.e. daily rate for Annual or Daily Product, reserve prive or Clearing price?).

iii) whether or not a within day 'over-nomination' procedure for VRF IP Exit Capacity would be of value;

The Provision of a VRF Exit capacity at Moffat could provide some assistance for the over nomination situation with the provision of implicit capacity, but more detail is required on how this would operate and how it would interact with the aggregated entry and exit allocation preference described.

iv) the proposals for aggregation of allocated quantities at entry and at exit;

AES agrees in principle with the aggregation of allocation quantities at entry and exit but is unclear to us from the Paper how Trade Nominations interact with the Shipper's entry/exit allocations and capacity bookings. For example, the implication is the (Trade Nomination) seller's entry allocation is not adjusted by the transacted quantity whereas the buyers is. This implies to us there could be double counting at entry. The buying shipper would need sufficient entry capacity for the Trade Nomination yet, since the selling Shipper's entry allocation is not adjusted, the selling shipper also needs to hold entry capacity for the transaction quantity.

AES would request further clarification on Trade Nominations and would suggest a short workshop would be useful.

v) the proposal to remove the current approach of allocating exit flows which exceed booked capacity as interruptible allocated quantities;

AES believes that it is important that the flexibility required by the electricity market and driven by government policy on increased reliance on intermittent renewable energy sources is reflected in the gas market arrangements. The ability to respond to short term changes in electrical demand as a consequence, requires the equivalent facilities from the gas market arrangements which could be afforded by the provision of short term capacity products, efficient nomination and allocation procedures and the ability to be able to balance electrical and gas positions effectively. In the absence of immediate short term products a facility must be made available to allow participants to balance their positions in response to the increasingly volatile demand.

vi) the proposals for transition of the arrangements;

The proposals for the transition arrangements appear to be reasonable and effective communication during the transition will be required.

vii) any other questions or concerns about the approach.

No Further comments