



Energy for
generations

Generation & Wholesale Markets

Response to:

**EU Balancing regulation EU 312/2014
Interim Measures Report**

ESB Generation and Wholesale Markets (GWM) welcome the opportunity to respond to the EU Balancing Regulation EU 312/2014, Interim Measures Report.

The EU Balancing Regulation offers three possible means of compliance and the NI TSOs' report recommends an interim measures approach, including balancing services, as the most appropriate for Northern Ireland. Reasons cited by the TSO include lack of liquidity in the wholesale NI gas market, the size of the NI market and insufficient IC capacity. ESB GWM agree in principle with the interim measures proposal. As documented, large changes are due to occur in the NI gas market including changing from a point to point to an entry-exit regime, the requirement to purchase IP entry capacity and the requirement to purchase capacity at auction. Given the extent and approaching deadlines of such change, adapting an interim measure appears to be a reasonable approach.

This report appears to moot the possibility of a future NIBP trading hub. Recent CAM and Balancing workshops have stated that NIBP would be purely an administrative facilitator allowing title transfer at a notional point. We do not support attempts to develop liquidity at the NIBP due to the presence of the adjacent GB NBP, market size and likelihood of failure. ESB GWM agrees with the statement

“With such a small market adjacent to such a big one, attempting to enhance trading in NI might be considered a futile exercise anyway¹”.

Q1. Do you support the adoption in Interim Measures in NI?

As stated above, the introduction of interim measures seems a reasonable approach given the current status and the number of changes occurring in the NI wholesale gas market. The competitive tender process for balancing services is reasonably transparent using published prices and we would support the retention of this process.

Q2. Do you agree that imbalance tolerances would be beneficial to help Shippers manage the introduction of entry capacity, CAM, separate nominations for entry and exit and the rules for nominations at IPs?

It is imperative for power stations that imbalance tolerances are available as imbalances can occur due to requirements from the National Control Centre (NCC) which are outside of a power stations control. From the current consultation, we would request further clarity if the imbalance regime will remain as is or if further change is proposed. We would support keeping the current regime. Due to increasing wind power generation, gas plants are being

¹ Interim Measures Report, Page 17 7.4

asked to provide increasing system flexibility. As a consequence of this, ESB GWM would support increasing engagement between the gas and electricity TSOs.

Q3. Do you have any views on how long balancing tolerances may remain appropriate?

We feel that balancing tolerances remain appropriate indefinitely given a power stations reliance on NCC instructions. We would appreciate the chance to comment further if any changes are proposed regarding balancing tolerances as part of a consultation process.

Q4. Do you have any views on how to improve the competitiveness of the current tender process for balancing gas?

There are some limitations in the current process due to the size of the market and the absence of liquidity but the current process is reasonably transparent with sufficient linkage to the NBP (GB).

Q5. Do you have any views on how the trading market in NI may develop over time?

The lack of a N-S pipeline is a current market impasse. With Corrib predicted to come on-stream in 2015, development of the N-S pipeline would provide for additional market flexibilities. Due to the small market size and illiquidity, we feel that the NIBP is best placed as only an administrative facilitator. Broader all island market changes such as iSEM and DS3 may also impact the development of the trading market in NI over time.

Q6. Are there any aspects of balancing or market development that you think the TSOs should consider in their next Annual Report on Interim Measures?

It would be helpful if the Annual Report provided visibility on volumes of trades, the presence of agents in the market and if a trading market is developing.

Should you have any queries in relation to the above response please do not hesitate to contact me.

Yours sincerely,

Karol O'Kane