

**Power NI Energy Limited  
Power Procurement Business (PPB)**

**EU Balancing Regulation  
EU 312/2014**

**Interim Measures Report**

**Response by Power NI Energy (PPB)**

5 December 2014.



## **Introduction**

Power NI Energy – Power Procurement Business (PPB) welcomes the opportunity to comment on the consultation on the Interim Measures Report.

As we have highlighted in other recent responses to consultation papers, PPB is concerned that the Government’s objectives for increased penetration of renewables is not being reflected, to the extent needed, in the gas arrangements. More intermittent electricity generation requires support from flexible conventional generators which in turn need access to flexible gas products. PPB has previously expressed its disagreement with the proposals not to have the same exit products as is proposed for entry and we believe this should be implemented for October 2015, and not, as shown in the consultation paper (in section 9.2), merely reviewed during 2016.

PPB’s responses to the questions raised in the consultation are set out below.

## **Responses to the specific issues upon which views and comments are sought**

### ***1: Do you support the adoption of Interim Measures in NI?***

PPB believes the adoption of Interim Measures is a pragmatic approach that is proportionate to the NI market which is a very small market and where liquidity is unlikely to increase in the short term. Adopting Interim Measures will provide time for monitoring of the development of the NI markets, particularly as gas utilisation changes with increasing retail consumption and changing utilisation of gas fired generating units as the penetration of renewable generation increases. The impact of Corrib gas on the markets is also uncertain and therefore we consider the Interim Measures approach provides time to monitor these developments and to subsequently decide what the most efficient gas balancing solution for Northern Ireland should be.

### ***2: 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?***

PPB agrees that such tolerances may be helpful during a period of significant change, although they do need to be monitored to ensure they do not create a disincentive to prudent operations by shippers to be in balance.

**3: Do you have views on how long balancing tolerances may remain appropriate?**

It is difficult to provide a definitive answer without experience of the operation with such tolerance bands and the effect of such residual “in-tolerance” imbalances on the TSO’s balancing costs and the resulting cost that is reallocated across all shippers. We would suggest that the situation should be closely monitored to identify the outturn performance of shippers and also to identify if there is any systematic action to seek to gain advantage from the tolerance bands, or to cover up poor operating practices, rather than just being a safety net.

**4: Do you have any views on how to improve the competitiveness of the current tender process for balancing gas?**

No Comment.

**5: Do you have any views on how the trading market in NI may develop over time?**

It is difficult to predict how the market will develop although, based on our current understanding, we would not expect there to be much change to current trading activities. The introduction of Trade Nominations may provide a further tool to enable power stations to manage unexpected outages that result in the electricity generation and hence gas demand of one power station reducing with the demand transferring to another power station. The growth of renewable generation (that is mostly unpredictable) may also see evolution of trading practices although we expect the effect to be more gradual rather than being a radical change in trading activities. Similarly the commissioning of the second North-South interconnector could have an impact on gas utilisation and trading strategies may evolve in response. However, at this point, it is hard to envisage there being a liquid trading market in NI.

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

We would have thought that the report should cover the tolerance bands, the utilisation of the bands and the impact of tightening or removing such tolerances on shippers and the market generally.