Dear Roisin

Licence Changes for Congestion Management Procedures (CMP) in Northern Ireland

Phoenix Natural Gas Ltd. (PNGL) welcomes the opportunity to respond to the Utility Regulator’s (UR’s) consultation paper on changes to the gas transmission operator’s licence required for the implementation of CMP in Northern Ireland. PNGL believe that the comments made in this consultation response are also relevant for the Code Modifications issued by the three Transmission System Operators (TSOs) and have therefore copied this letter to the TSOs.

PNGL continues to be fully supportive of the UR and the TSOs in their attempts to deliver compliance with the European Gas Regulation (EC) 715/2009(NI). However PNGL would reiterate its position, detailed in its previous responses on this subject, that solutions developed must be meaningful and bring full proper benefits to the gas consumer and the developing natural gas industry.

PNGL are disappointed that it received no feedback from either the TSOs or UR on the concerns raised as part of its response to the business rules consultation on CMP and that this licence modification, together with the Transportation Code modifications issued by the TSOs, have not taken into account any of the concerns raised.

For clarity PNGL has again listed below some of the concerns raised:

- The CMP products being introduced are of little benefit in current format and could not be implemented when applied to distribution networks in NI where the distribution operator books and holds transmission capacity as per its licence obligation to meet the requirements of a 1 in 20 peak winters day.

- The authorisation for the Use it or Lose It (UIOLI) product currently undertaken by UR is being transferred to the TSOs and simply reported to UR. PNGL believe that, as long a Distribution System Operator (DSO) is obliged to book and hold capacity,
underutilisation at Distribution Network level is highly probable due to the large domestic portfolio whose summer usage patterns are exceptionally low and where the capacity booking is representative of a 1 in 20 peak winters day.

- Assuming the issue of DSOs holding capacity is addressed, PNGL would ask how these new products would work for a Greater Belfast Shipper where capacity is needed on the PTL / BGTL Networks at both exit points 1 and 2, as well as the Lisburn offtake on the BGE (NI) network. PNGL could not (and indeed nor could Greater Belfast Shippers) determine specific capacity requirements for the different exit points.

- The EU regulation requirements for delivery of CMP are made on the assumption that all transmission networks use an entry exit regime, yet the regime being implemented uses the current point to point regime in NI with the move to entry exit delayed further until late 2015. PNGL would ask why it is considered less important by the TSOs and UR to demonstrate compliance on entry exit, which we understand to be an IME2 compliance issue, and allocate time and resources to products of little benefit in their current format.

- PNGL note that the business rules paper stated contractual congestion in NI was not forecast in the medium to long term, however, this was considered in the context of the SN entry point where zero capacity bookings currently exist. The business rules paper did not make it clear what the current situation was at the Moffat entry point. PNGL therefore feel it is extremely important that NI Shippers are provided with a view of when any CMP activation test may identify an issue. PNGL also note that Greater Belfast Shippers could not currently utilise the SN entry point for gas transportation to Greater Belfast, even if appropriate tariff arrangements existed.

In relation to PNGL comments on the specific details of the UR consultation and the supporting Code Modifications issued by the TSOs, PNGL believe it is difficult to comment fully on the contents of either in the absence of the details on the actual oversubscription and buyback scheme (OS scheme) which has still to be submitted by the TSOs to UR for consideration. We understand that a further consultation process is proposed with industry on its actual content. PNGL would ask that when considering the OS scheme design that consideration is given as to how the revenue sharing proposals will work for Shippers using distribution networks that neither book nor hold their own capacity. Again, PNGL believe that to make any OS scheme meaningful the issue of capacity booking by a DSO needs to be addressed and would reiterate the previous comment on this licence obligation that PNGL receives no benefit for undertaking the many transmission activities associated with it and it cannot accept any further responsibility or liability in this area. PNGL are therefore not in a position to facilitate any interface arrangements between TSOs and Shippers for any revenue sharing proposals, if this is something being considered.

This same principle also applies to the new proposals for UIOLI. Where the TSO determines that the total capacity utilised by distribution shippers is significantly less than that booked by the DSO and consideration is being given by the TSOs to implementing a capacity reduction, PNGL cannot be expected to make the required representations to either the TSO or UR on behalf of shippers in such instances. UR will also need to consider how the DSO
licensure obligation will be viewed in such instances, where a previously booked 1 in 20 capacity is subsequently reduced by a TSO.

PNGL also has concerns that where technical capacity constraints have been identified on parts of the NI transmission network, that the new UIOLI rules are used to reduce the 1 in 20 peak day capacity booking made by a DSO at specific exit points to manage these constraints on other parts of the network. PNGL would therefore ask for reassurance from both UR and the TSOs that UIOLI will not be used to manage such scenarios and that any such technical capacity issue identified would be discussed with the DSOs at the relevant exit point to ensure appropriate solutions are found and the continuing growth of the distribution network is not hindered by any resulting reduction in capacity.

In summary, PNGL believe it is essential that both UR and the TSOs engage fully with industry to find proper, meaningful solutions to the requirements of the EU Regulation and these solutions should only be implemented where they bring measurable benefits to the NI gas consumer and the developing gas industry. PNG would again reiterate that one of the key areas that needs addressed to allow this to happen is the issue of capacity booking by DSOs on transmission networks.

PNGL would specifically request a meeting with UR to discuss further the concerns raised in both this and previous responses on the area of EU Regulation implementation. PNGL would be keen to hear at this meeting the UR view on how these concerns can be resolved.

Yours sincerely

Joanne

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