Power NI Energy Limited
Power Procurement Business (PPB)

Premier Transmission Limited Proposed Modification 24

February 2013

Response by Power NI Energy (PPB)

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Power NI Energy (PPB), as a major stakeholder in both the gas and electricity markets, welcomes the opportunity to respond to the consultation on the proposed Modification 24 to Proposed Modification 24 to the Premier Transmission Limited Transportation Code (the “Code”) as raised by Premier Transmission Limited (“PTL”).

The gas and electricity markets play a central part of the Northern Ireland economy, providing an essential product to society. However despite the strong interdependency between the two markets there appears to be an increasing divergence in the design and operation of these networks and markets. The challenges associated with the intermittency and unpredictability of wind, being driven by the target of supplying 40% of electricity from renewable sources by 2020, are going to have a considerable impact on the operation of the gas network as conventional generating units will need to operate more flexibly and if gas fired units (CCGTs and OCGTs) are to operate in a flexible manner they must also be able to secure flexible supply and transportation of gas to support this running pattern. The renewable electricity target, if achieved, will result in the highest penetration of wind power plants on a synchronous system in Europe and with this paradigm shift in the operation of the electricity system the design and operation of the gas system must be fundamentally reviewed to consider what changes are required to accommodate and facilitate the changing demands from the electricity industry. The power system is also changing due to: increasing interconnection: SEM intra day trading: future requirements for market coupling and continuous intra-day trading and the impact of increasing demand side management and Smart Grid initiatives.

The electricity Transmission System Operators, on the island of Ireland, programme entitled “Delivering Sustainable Secure System (DS3)” identifies the need for flexible generating units and is reviewing the arrangements required to support this technology. The DS3 workstream, for example, identified that the 1-hour wind variation is typically 20% of the maximum daily wind generation and with the electricity system operators designing the system to operate with up to 75% wind generation supplying the electricity demand at any point in time will have a significant impact on forecasting gas requirements. The variability in wind generation will, when combined with the variation in demand and interconnector imports and exports, impact on the ramping duty imposed on the remaining generation portfolio, primarily gas fired generators.

The more rigid application of the existing Code rules and the divergence in the design objectives and operation of the electricity and gas systems is increasing the risk of operating in the electricity market and will potentially discourage energy companies from making investment decisions or opt instead to deploy their resources in countries where the risks of investment are lower. This could obviously have significant consequences for security of supply in Northern Ireland. Given the significant concerns in relation to generation capacity in Northern Ireland, which are highlighted in the 2013-2022 Generation Capacity Statement it is imperative that constraints in the existing Network Code and other relevant documents, such as the Transportation Agreement, are urgently addressed so investors in gas fired generation have confidence that the gas network and related codes reflect the gas requirements of operating these types of units.
Generating units can be re-dispatched in real-time in order to balance supply and demand in order to maintain the integrity of the electricity system. The 4 hour time delay between gas re-nomination and the physical flow of gas is a considerable impediment to operating a secure electricity system particularly given the developments being planned for the electricity industry.

PPB therefore welcomes the Authority’s decision to organise a meeting prior to any decision being made in relation to this Modification proposal in order to discuss and consider the inter-relationship between the operation of the gas and electricity systems.

PPB comments on the proposed modifications are set out below.

1. There are a number of factors which create considerable uncertainty in relation to whether there is any certainty in relation to gas nominations being accepted. These expose shippers to commercial risk as they must match nominations on the NTS and therefore gas must be procured prior to renominating the EODQ on the GTMS. If the nomination is not accepted then the NI Shipper may need to sell-back gas at a loss. The obligation on Premier Transmission to inform Shippers of their Amended Renominations is proposed in the proposed modification to be “as soon as possible” but this leaves Shippers exposed to market movements.

2. Shippers are unable to forecast the NI EODQ or the potential renominations of other Shippers and therefore it is difficult for them to assess how much head-room is offered by the application of 25% of the NI EODQ. Shippers may also not be allocated up to 25% of their EODQ if other Shippers re-nominate up from zero. A floor should be considered for Shippers affected by other Shippers who re-nominate up from zero, which would enable them to know the minimum level of re-nomination and hence gas volumes they can secure commercially without any exposure to Renomination Amendment.

3. The formula in 2.10A.4 (iii) need to be amended so that $\Delta R_NQ_s^{tier1}$ does not result in a negative number. We believe that $\Delta R_NQ_s^{tier2}$ should be defined as the lesser of “25% x PNQs” and “$\Delta R_NQ_s$”.

4. Electricity generators are likely to have the largest changes in their nominations. We would suggest that amendments should be based on the PTL Transportation Code Exit Point Tolerance Table which would result in Re-nominations from Shippers whose Downstream Load Category weighting is highest being prioritised for amendment. We would also suggest that in the event of a gas fired generating unit tripping that a netting mechanism to off-set power station nominations should be considered. This is particularly relevant over the first four hours or after 01:00hrs when no effective renominations can be made.