



Kenny Dane,
Utility Regulator,
Queens House,
14 Queens Street,
Belfast BT1 6ER.
13th November 2012

Re: SEM-12-089 – Consultation Paper on Treatment of Gas Transportation Capacity Costs

Dear Kenny,

BGN welcomes the opportunity to comment on the issues set out in the Regulatory Authorities' recent paper on the treatment of gas transportation capacity costs in the SEM.

The continued development of the gas market is critical and BGN wish to highlight that Natural Gas brings significant environmental benefits as it is the cleanest burning fossil fuel with up to 30% less emissions being emitted into the atmosphere as pollutants when compared to alternative fuel types. Natural Gas also eliminates the need to store distillate on site, at a high carrying cost, while providing access to an efficient daily fuel for a reliable and flexible peaking plant.

GAS TRANSPORTATION CAPACITY MARKET

BGN believe that there is significant flexibility available in terms of the types of gas transportation capacity products that are available to SEM operators both in NI and ROI. In Northern Ireland, Short Term daily products are now available following their introduction in July 2012. Shippers can purchase these products from any of the TSO's operating in Northern Ireland. Clearly, there has been sufficient development in the availability and flexibility of gas transportation capacity products to allow their inclusion in Commercial Offer Data.

In the Republic of Ireland (ROI) Short Term products are also available. The daily capacity products are highly flexible, thereby facilitating the interoperability between the gas market and the SEM. The Short-Term Daily products are available to Shippers at both Entry Points and Exit off-takes.

These Short-Term products have been well utilized, in particular by the Power generation sector which is using the booking of Short-Term products as part of their portfolio optimization strategy. Furthermore, secondary capacity is available in ROI and this allows unused capacity to be bought and sold amongst Shippers. European Benchmark reports have previously highlighted that the ROI market is very well

served with the variety of flexible capacity products available to Shippers, i.e. Short Term, Within Day and 12 Month firm.¹

In conclusion, the availability of the capacity products in both NI and ROI provides flexibility to Shippers and allows them to optimize their bookings.

INVESTMENT SIGNALS FOR GAS TSO

Network users that require annual and short-term capacity should be incentivised to book those capacity products. Having a regime in the SEM that does not allow generators to include their capacity costs dis-incentivizes the booking of capacity and the TSO therefore does not receive the appropriate signal that the network needs to ensure its development and reinforcement. The lack of investment signals puts system investment at considerable risk because the signals for such investments become weakened and capacity may not then be available when a generator requires it. Therefore it is imperative that available generators are booking Firm capacity directly from the Gas Transporter.

CONCLUSION

In conclusion, the range of capacity products available to Shippers in both Northern Ireland and ROI provides significant flexibility to optimize their bookings. Combined with the importance of investment signals to the gas TSO there is now a clear basis to justify the inclusion of gas transportation capacity in Commercial Offer Data. BGN are available to discuss our response in more detail at your convenience. In the mean time if you have any questions on the above, please do not hesitate to contact us.

Yours Sincerely,

P.P. 

Denis Twomey

Commercial Manager

This response is being made by Bord Gais Networks (BGN) on behalf of BGN and BGE (UK) Ltd.

¹ Gas Regional Initiative North West, Capacity Service Evolution, Consultation Report 2008