BORD GÁIS NETWORKS
TRANSPORTATION SERVICES

HEAD OFFICE :
P. O. Box 51,
Gasworks Road,
Cork.
Telephone (021) 4534000
Fax (021) 4534387

May 2nd 2006

Mr. Robert Hull,
Director, Transmission,
Office of Gas and Electricity Markets (Ofgem)
9 Millbank,
London,
SW1P 3GE

Reference: Response to Third Consultation

Dear Mr Hull,

Thank you for this opportunity to comment on the Transmission Price Control Review paper.

BGE are pleased to make our comments as operator of the downstream network connected at Moffat.

Moffat concerns
As the entry point to three separate jurisdictions: Isle of Mann and Ireland South and North, Moffat supports relatively new markets with high growth rates. The Moffat connected systems exit point (CSEP) has a multiple shipper status and therefore more complex than other NTS exit points, to facilitate this, a robust set of arrangements are currently in place at Moffat underpinned by series of agreements governing and regulating flows. BGE are concerned that the NTS Exit Reforms as currently outlined do not fit the requirements of the Moffat CSEP.

'1 in 20' obligations *(reference appendix 12, sections 1.4.5 & 1.9.2)*

It is suggested in section 1.4.5 that the long term user commitment models may promote security of supply as they could give greater clarity of the meaning of the transporter '1 in 20' obligation. In section 1.9.2, the view is put forward that compliance with the NTS's 1 in 20 obligations could be achieved by investing in line with user commitments and that the user commitment model would offer clarity of responsibility between NTS users and NGG NTS. BGE is concerned that the NGG NTS '1 in 20' obligation could be weakened by the proposals. NGG NTS is better positioned then a new entrant in estimating market growth and should the proposals result in the weakening of the NGG NTS obligation, a potential security of supply risk could be generated on the NTS system which could also impact significantly on flows to downstream systems.

Proposed Flow Flex Products *(reference appendix 12, sections 1.69 to 1.72)*
BGE is concerned that proposals on the Flow-Flex model are still very fluid with no decision reached as yet with respect to the type of Flow-Flex product to be offered. Should the bundled 'expanding flexibility model' be further developed, consultation would need to take place on the conversion factor to be used. BGE would agree that a conversion factor of zero, or close to zero would not be appropriate. Comments on the 'expanding flexibility' model cannot be finalised until the conversion factor has been agreed.
Under either a separate 'Flow-Flex' product model or the 'expanding flexibility model', has it been considered how a 'Flow-Flex' product would be booked? Would similar timelines as suggested under the user commitment model apply? Clarity on these factors is important in order to finalise arrangements for the capacity regime at Moffat and elsewhere.

Long term capacity allocation mechanisms (Proposed User Commitment models)
(reference appendix 12, sections 1.4.5 and 1.72 to 1.85)
BGE believe that while the NTS strawman proposals gave an outline view of the 'finite rights' and 'prevailing rights' approaches to the development of a user commitment model, further details of how these approaches would work in practice would be required prior to finalising our comments. We therefore would encourage the provision of further details in order to make effective comment.

It is suggested in section 1.4.5 that the user commitment model to be adopted would need to be developed and consulted upon through the Uniform Network Code (UNC) Process. What timelines are envisaged for this development process?

Initial thoughts on the NTS strawman models:

Non UNC Party Capacity Reservations. BGE support the NGG NTS Strawman proposal (appendix 12, section 1.79) to include a facility under which persons who were not parties to the UNC could make a user commitment to reserve capacity in the uncontrained period to be subsequently booked and used by a party to the UNC. Depending on the method of application, this provision could also potentially eleviate concerns regarding contractual complexity at Moffat.

Constrained period 'non-obligated' capacity. BGE request further information on non-obligated' capacity and confirmation that the 'offered prices' refered to in appendix 12 section 1.83 will not be lower than the reserve price.

Daily 'pay as bid' auctions. In appendix 12, section 1.84 it is suggested the NGG NTS would not have an obligation to release baseline capacity on a day i.e. that on-the-day releases would be at NGG NTS's discretion. BGE request further information on this issue including what criteria would apply to any such with-holding/release

Interruption regime *(reference appendix 12, sections 1.86 to 1.88)*
BGE support Ofgem's request for more detail on how the process of contracting for the interruptions of offtake capacity rights would work in practice.

Day ahead daily interruptible product. BGE request more information on how the volume of interruptible rights to be made available would be determined by NGG NTS

'Flow Flex' Section 1.86 envisages a day ahead flat interruptible product being developed, what is the position with respect to the development of an interruptible 'Flex' product?

Baseline derivation *(reference appendix 12, sections 1.5.4 to 1.5.8 and 1.95 to 1.108)*
BGE note that while your paper recommends the development of Practical Maximum Physical baselines, neither rules with respect the derivation of these baselines nor Practical Maximum Physical baselines have been published. BGE request that both the Practical Maximum Physical deviation rules and the baseline levels at the Moffat CSEP be made available as soon as possible.

'Substitution obligation'. More information is requested on the proposed substitution obligation on NGG NTS for examples:

How would this mechanism work in practice?
What would the exchange rates be?
What advance notice periods would be given for any such substitution?
How could this be effectively monitored?

Separate Flexibility product baselines. Section 1.96 suggests that separate Flexibility product baselines may be developed in the future. BGE are concerned that the lack of clarity in the development of a separate / bundled 'Flow Flex' product is stalling progress in the development of the required baselines. Should a separate flexibility baseline setting methodology be developed, any such methodology would require comprehensive consultation prior to finalisation.

Baseline setting methodology.

BGE question the 1 in 20 demand (07 / 08) figure (223.6 GWh/d, 20.13 MSCMD) published in Table A12.1.1: 'Preliminary baseline data' as it is significantly lower at Moffat than both the Practical maximum Physical published in the Ofgem 'Initial thoughts on enduring incentive schemes' paper (291 GWh/d, 26.16 MSCMD) and the 'High Growth Weak Supply scenario for 2007 / 08' figure published in the CER Gas Capacity Statement 2004 (362.8 GWh/d, 32.66 MSCMD). Further detail is requested on the derivation of Moffat baseline figure.

BGE assume that the baselines published would not be reduced for a number of years unless by way of substitution. However, our understanding is that any substitution, giving rise to either an increase or a reduction in the baseline levels would apply only for the defined period for which the substitution was in effect.

Yours sincerely,

_____

Avian Egan
Shipper Services Development