



***Response to Ofgem Consultation Paper***

***Gas Transmission Exit Capacity Substitution and Revision  
Methodology – Initial Impact Assessment***

**on behalf of**

**AES Ballylumford Ltd**

**09 March 2011**

*Prepared by*

Ivan Purvis  
Ballylumford Power Station  
Islandmagee  
Larne,  
Co. Antrim BT40 3RS  
Tel: 028 93 381201  
E-mail: [ivan.purvis@aes.com](mailto:ivan.purvis@aes.com)

## **Introduction**

AES Ballylumford Limited (“AES BL”) (formerly Premier Power Limited) welcomes the opportunity to respond to the Ofgem consultation on Gas Transmission Exit Capacity Substitution and Revision Methodology – Initial Impact Assessment. We are currently a Shipper on the SNIP pipeline and ship gas through Moffat.

## **Summary**

AES Ballylumford believes Ofgem’s proposals should take into account the treatment of multiple shipper interconnection points. We do not support the implementation of Exit Capacity substitution at Multiple Shipper or Cross Border Interconnection points. AES wants to ensure that the treatment of Moffat is consistent with EU requirements and security of supply issues.

## **Concerns**

AES BL’s position is as follows:

### **Capacity Allocation at Moffat**

We believe that there should be some form of linkage in capacity between upstream and downstream counterparties. This should prevent Capacity hoarding and ensure investment signals are properly debated and signaled. Before investment in new capacity or capacity substitution takes place consultation between downstream stakeholders and Regulators should take place. For example at Moffat, the ten year joint Capacity Statements as issued by Northern Ireland Authority for Utility Regulation and the Commission for Energy Regulation in the Republic of Ireland should be taken into account. Generation Adequacy Reports are also issued by the electrical TSO’s in Ireland. As there is a single electricity market in Ireland with a high percentage of gas utilisation for power generation, this part of the market will potentially have a significant impact on capacity holdings.

ERGEG recognizes the need for capacity linkage either side of interconnection points as stated in the Pilot Framework Guideline for Capacity Allocation on European gas Transmission Networks to the European Commission on 21 June 2010. This guideline applies to cross-border interconnection points between two or more Member States. The Guideline states that “transmission system operators determine the firm and interruptible capacity they jointly offer at each interconnection point.”

## **Security of Supply**

1. There should be linkage in capacity arrangements on both sides of the interconnection point.

Without this mechanism it is difficult to make an accurate assessment of required quantity and duration and how future capacity is to be invested to meet security of supply standards. EU legislation regarding cross border supply and security of supply must be considered.

*Article 13 of Directive 2009/83/EC requires that "Each Transmission System Operator shall build sufficient cross-border capacity to integrate European Transmission Infrastructure accommodating all economically reasonable and technically feasible demands for Capacity and taking into account security of Gas Supply"*

2. If unsold capacity is removed from an interconnection point to reduce the baseline resulting in the ability of that Exit point to meet its physical demands then this will have a security of supply issue. For example, Moffat has grandfathered Enduring Rights to NTS Shippers. Some of these Shippers no longer have linkage to downstream counterparties. These parties that currently hold capacity with no linkage are likely to distort the true picture of requirements at Moffat. Currently this is likely to have resulted in overcounting. When the true picture becomes clearer and if Shippers relinquish capacity at a later date, then Moffat could potentially have capacity substituted away. In this case we would want to ensure Security of Supply standards are maintained.

## **Conclusion**

AES' main concerns are around security of supply and would like Ofgem to recognize the needs of cross border interconnection points and the treatment of which are in line with ERGEG's Pilot Framework Guideline for Capacity Allocation on European Gas Transmission Networks.

If ultimately there is ever a requirement to move capacity away from exit points then downstream Security of Supply standards should be maintained. This should only be carried out after consultation with downstream stakeholders and Regulatory Authorities.

If you wish to discuss these issues further, please make contact with ourselves.

Yours sincerely,

*Ivan Purvis*

Ivan Purvis

AES Ballylumford,

Ballylumford Power Station

Islandmagee

Larne,

Co. Antrim BT40 3RS

Tel: 028 93 381201

E-mail: [ivan.purvis@aes.com](mailto:ivan.purvis@aes.com)