

**CONSULTATION ON PROPOSALS ON MARKET
ARRANGEMENT PRINCIPLES**

**COMMISSION FOR ENERGY REGULATION
IRELAND**

SUBMISSION

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1. Introduction

Ramco makes the following comments on the CER Proposals on Market Arrangement Principles dated 19 June 2003.

We support the CER's view that the consultation process should be open and transparent and are agreeable for this submission to be published by the CER.

2. Capacity

2.1 Capacity Trading

Ramco supports the general community view that it is not necessary to introduce electronic trading of capacity at this stage in the development of the Irish transportation system. There are only a limited number of players who would wish to trade capacity and those are known. Hence electronic capacity trading would just add costs with no additional benefits.

2.2 Time Period

We support the proposal to retain the existing time periods relative to the balancing period and the duration of the capacity rights.

2.3 Capacity Overruns

Ramco supports the Commission's view on Code Modification 13 and overrun trading..

3. Transmission Services

3.1 One Month Firm Service

In general we are in favour of improved flexibility in the capacity booking regime.

The guidelines on Third Party Access as published by Gas Transmission Europe (GTE) in January 2003 require Transporters to offer short-term capacity services. These are now widely available throughout Europe and appear not to have caused any problems with long-term capacity. Generally the European models for short-term capacity involve a premium for winter capacity.

Effectively the costs for a one-month service have to be at some premium to the annual service otherwise shippers can profile their capacity purchases so that they minimise their requirements in summer.

Ramco supports the introduction of a one month firm service but would prefer to see the development of a short-term capacity service for any period up to a maximum number of, say, 60 days in any year.

It is important that a short-term service is not seen as an alternative to the firm annual service. We envisage a number of gas trading opportunities which will only be available if a short-term service exists. A short-term service would assist in the following circumstances:

- Code Modification 4a addresses the transfer of capacity to an Entry Point during the first twelve months of a new gas source. Transfers are also likely to happen after the twelve month initial period.
- Code Modification 4b provides a back-up service through a single nominated Entry Point. As mentioned in our submissions at the time, a short-term capacity service would provide the means to secure back-up in scenarios not catered for by Mod 4b. It would also allow back-up to be secured at other Entry Points.
- Short-term gas trades rely on availability of capacity. Although we want to see the secondary capacity market develop further, the availability of a short-term service would further facilitate trading of gas.
- Offtake of offshore commissioning gas.

3.2 Authorised Overruns

As already stated, Ramco is generally in favour of any measure which improves the flexibility of the capacity booking regime. As such we do believe that capacity overruns are worthy of consideration. We recognise the concerns of Moffat Shippers in particular regarding the potential risk of undermining the firm annual service and thus increase the cost of that service. We believe that it should be possible to structure charges and design rules which mitigate this risk.

3.3 Interruptible Service

We support the CER's proposal on this service.

3.4 Back Haul Service

Ramco continues to believe that a back haul service should be offered by BGE. In particular this would provide a mechanism by which gas could be exported to the UK at modest cost.

4. Nominations and Balancing

4.1 Gas Nominations

As noted in the Consultation document Marathon and the Transporter are currently developing the Inch nomination procedures in consultation with Shippers and Ramco. For practical reasons, the agreed initial approach is to largely mirror the arrangements at Moffat. Thereafter we anticipate that it will be possible to offer additional flexibility at Inch therefore further demonstrating the ability of this terminal to compete favourably with Moffat.

4.2 Balancing

Ramco supports the CER proposals on balancing by the use of entry/exit principle.

4.3 Balancing Period

Ramco supports the existing balancing system.

4.4 Imbalance Arrangements and Tolerances

Ramco agrees in principle with adoption of a more flexible approach that does not compromise system security and as such agrees with the Commission's proposals.

4.5 Trading of Imbalances

Ramco has no views on the time period for trading of imbalances. Ramco does not believe that an electronic trading system is required for balancing.

4.6 Mechanism for Obtaining Imbalance Gas

Ramco supports the Commission proposals and looks forward to the development of more detailed proposals.

4.7 Imbalance Prices

Ramco favours a sensible system based on the UK OCM market. We believe that any other mechanism leads to unnecessary complications and increases the possibility for gaming alternatives.

4.8 Scheduling Charges

We believe that scheduling charges are not justifiable and should be dropped.

5. Shrinkage Gas and Line-pack

5.1 Shrinkage

Ramco has no strong view either way on the CER's proposals regarding the provision of shrinkage gas. However we would be concerned if the incentive arrangements being considered had the effect of causing the Transporter to minimise the fuel gas for the Midleton compressor station at the expense of reducing take away capacity at Inch on some days.

An alternative to making Shippers responsible for contributing shrinkage gas to the system would be to change the approach to procuring shrinkage gas. One approach would be to break the current single contract for balancing and shrinkage gas down into smaller contracts.

5.2 Line-pack

Ramco supports the CER's proposals on line-pack.