ESB International

ESB International Ltd
Stephen Court, 18/21 St Stephen's Green, Dublin 2, Ireland
Telephone +353-1-703 8000 **Fax** +353-1-703-7097
www.esbi.ie

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Carl Hashim
NIAER
Queen's House
Upper Queen Street
Belfast BT1 6EQ

Jill Murray
CER
Plaza House
Belgard Road
Tallaght, Dublin 24

Moffat Exit Reform Consultation

Dear Carl and Jill

Thank you for providing us with the opportunity to respond on the CER consultation paper and Ofreg proposals. We have no objection to all or part of this response being published by either regulator.

The various options set out during the consultation process assume that new arrangements will need to be made at Moffat to mitigate gas capacity risks for Irish shippers. This would be the case if Ofgem eventually settles on either Code Mod 116 or 116b, but not if Code Mods 116a or 116c are approved. ESBI agrees with the regulators that the three jurisdictions affected need to prepare for the worst eventuality now on the understanding that we can revert to 'business as usual' if it turns out there is no reason for change.

If new arrangements are required then ESBI is tentatively in favour of Option A. This is subject to some reservations as described below. In the event that we will face an increased risk in the gas market, we would not be happy with doing nothing as per Option C, or with being left to our own devices, as per Option D, and we understand that Option B has turned out not to be feasible. We are concerned at the lack of clarity throughout the consultation process on the cost and benefits of the various proposals and our support for Option A is subject to more detailed consultation on the costs to shippers of the single party, as well as the potential costs of the 'do nothing' or 'do it yourself' approaches.

As I indicated at the October 10th meeting at Dublin Airport, ESBI has noted the differing approaches being taken by the two Irish regulators, particularly the introduction quite late in the consultation process of an Option D by Ofreg when all previous indications had been that all three regulators agreed on Options A to C as those to be consulted on. ESBI would appreciate some clarification from the regulators on what process they intend to follow in order to attain a consensus among the industry participants. We are particularly interested in how it is proposed to resolve any difference in the regulators' views following this consensus and are concerned to maintain a unified all-islands approach which is to the benefit of all.

Ofreg invited general comments on each option (A, C and D), including any possible alternatives, and asked the following questions:

With Option A, are shippers happy with a single party (most likely BGN) acting on their behalf?

Yes, this would be our preferred option. We request considerably more clarification and consultation on such questions as how the single party will be selected (is it automatically BGN or are there any other candidates?) and governance issues such as commercial authority, reporting, etc.

Would the alternative option A be more favourable than the others?

This alternative envisages the single party booking during the constrained but not the unconstrained period. We are not in favour of this and prefer the original Option A, with the single party responsible for bookings without restriction.

With Option C, do shippers think it is feasible i.e. can we really do nothing, and are shippers happy to bear the risks if we do?

No, we do not think it is wise to do nothing and are not happy to bear the risks of doing so.

What do shippers think are the implications of the loss of TTR at Moffat? Will major changes be necessary or can they just carry on, albeit with the risk of capacity hoarding?

It is not clear what the implications, if any, may be of the loss of 'ticket-to-ride' at Moffat as capacity which is not used is available to other shippers on an interruptible basis and is not hoarded. There may be complications in the future if capacity which is not required for consumption is used to flow gas to storage but this type of hoarding is not currently an option in Ireland and can only be dealt with if it occurs in the future.

With Option D, what issues/concerns do shippers have?

As a Northern Ireland generation station we are not happy at being isolated from other NI gas shippers and left to our own devices. ESBI feels that, as a group, the shippers and the regulators have more bargaining power than one power plant on the end of a pipe-line.

What do shippers think we should do about flow-flex?

ESBI urges the regulators and all other shippers who can respond to the Ofgem consultation to do and to oppose flow flex. We are very concerned at the lack of information being circulated about this potential future product, how it is to be traded and allocated, etc. Advance booking of flow flex would require a level of fore-knowledge that gas-fired generators do not enjoy and this proposal will increase the market risk of such generators.

We appreciate the work of the three regulators and BGN on this complex issue and trust that you will find our comments helpful. Please don't hesitate to contact me if you require any clarification.

Kind regards

Deirdre O'Hara

Deirdre O'Hara
Manager, Market Strategy
Independent Generation, ESB International

Tel: +353 (0)1 703 8199
Fax: +353 (0)1 703 7097
Mobile: +353 (0)87 805 6866
mailto:deirdre.ohara@esbi.ie