



**Airtricity Response to
Draft Conclusions on Options for Gas Operational
Regime
A CAG Consultation**

28 November 2008

Introduction

The regulatory authorities' second round of consultations on the Gas Operational Regime has been helpful in clarifying the not inconsequential differences between the two system operation options left for consideration. While the systems operations options have been whittled down to two, the single TSO model appears to be self-selecting if the aims of operating the gas networks on an All-Island basis are to be achieved.

System Operations Option

In principle we agree with practically most participants in the industry that a single interface should be provided users of the network. But the consultation paper has also made it obvious that the arrangements behind that interface also need some considered thought. These arrangements 'behind the veil' need to be stable but yet able to cope with dynamics such as directives issuing from Europe, changes in interconnected markets (and indeed in the global market when LNG becomes part of the network mix) and commercial drives of market participants.

With the limitations inherent in the Single Service Provider format, it seems that with this option the industry will gain a single interface quite alright but the ability to respond effectively to events will be hobbled. Coordinating TSO functions amongst multiple TSOs creates more of an organisational challenge and potential for things going wrong in contrast to having a single entity with exclusive license and contractual obligations to operate an all-island network.

The problems of organisational coordination have been well documented both in theory and in experience so it will suffice just to point out that the Single Service Provider option, as has been more clearly described, creates a multi-party situation where decisions have to be in the first instance, unanimously agreed upon, and actions subsequently have to be made essentially in tandem. The intensity of these types of problems also tends to escalate the greater the number of actors involved.

Thus the Single Service Provider option appears to lead to an organisational format that will necessitate ongoing rigorous negotiations to navigate decisions where these are not simply the day-to-day 'mechanical' or 'non-discretionary' operational ones. It is not difficult to see some form of corporate 'fatigue' setting in and resulting in 'hard' decisions not being made or put off for lengthy periods.

For these, and the various concerns identified in the consultation paper, we do not see that see the benefits that the Single Service Provider option brings to the purposes of Common Arrangements for Gas.

Summary

Various benefits are anticipated to accrue from operating the gas networks on an all-island basis, not least of which are to obtain operational efficiencies and possibly eliminate some cost duplications. It is difficult to see this being easily achieved with multiple TSOs in place. The major concerns in this regard are the coordination difficulties that can render the market imperative of quick and vital decision-making and actions ineffectual.