

Bord Gáis Éireann comments on CAG Consultation Paper

“Draft Conclusions on the Options for The Gas Operational Regime”

Introduction

Bord Gáis Éireann (BGÉ) are pleased to submit comments on the above paper dated 20th October 2008.

BGÉ strongly supports the development of an all island market under the Common Arrangements for Gas (CAG) project. We look forward to working with industry on the development of an all island gas market structure to deliver the benefits of a more streamlined regime which will be fit for purpose in the context of the market on the island of Ireland.

BGÉ welcomes the work done by the Regulatory Authorities (RA's) in developing the options for the CAG operational regime and in identifying those options to be progressed further.

BGÉ is submitting this response in a number of capacities:

- As a licensed pipeline Asset Owner in Rol
- On behalf of BGÉ(UK) - a conveyance licence holder in NI
- As service provider to all the system operators (SO's) on the island

General

BGÉ believes that the solution developed for all island Gas arrangements under CAG should have regard to wider European developments including the 3rd Package. The level of structural change to the markets in Ireland and Northern Ireland should be kept to the minimum level required to deliver streamlined arrangements at this stage, as it is likely that more fundamental changes may be required in the medium term driven by European legislation. However, this should not slow the progress that can be made in many areas which will have a real benefit for system users.

BGÉ Comment on Summary of Decisions

Functions of the CAG SO: We generally agree with function responsibilities proposed in the Draft Conclusions and that these should be carried out on an all island basis. The precise split as to which aspects of these functions are carried out by the SO itself or by Asset Owner should be finalised once a better understanding of the costs of splitting functions between parties has been reached. We believe that the operational benefits of carrying out these functions on an all island basis can be achieved under each of the 4 structural options

Structure of the CAG SO: We believe that it is too early to eliminate the coordination model and the dual SO models and that all 4 options should remain open for consideration until: (1) The Third Package is finalised and (2) The full cost of changing to the various unbundling options are analysed and understood in each jurisdiction and on an all island basis

CAG Code of Operations: We agree with decisions set out in the Draft Conclusions.

Section 2 Goals of CAG Operations

- We generally agree with and support the goals set out in the document.
- We would emphasize that the basic purpose is to make it easier for Shippers and Suppliers to participate in the gas market North and South and in particular on an all island basis and that the system codes and operations procedures are as streamlined and efficient as possible. The bottom line cost at which this is delivered is key to ensuring overall benefits.

Section 3 All Island SO Functions

- We generally agree with functional responsibilities proposed in the Draft Conclusions and that these should be carried out on an all island basis.
- The precise split as to which aspects of these functions are carried out by the SO or by the Asset Owner should be finalised once a better understanding of the costs of splitting functions between parties has been reached.
- We believe that the operational benefits of carrying out these functions on an all island basis can be achieved under any of the 4 structural options.

Section 4 Options for System Operation

- BGE believes that the solution developed for all island gas arrangements under CAG should have regard to the wider European developments, and in particular the Third Package.
- We believe it is too early to eliminate the coordination model and the dual SO models and that it would be better for all 4 options to remain open for consideration until the 3rd Package requirements are finalised.
- The cost of changing structures to comply with the various unbundling options should be analysed and understood in each jurisdiction and on an all island basis. This exercise possibly cannot be finalised until there is an understanding in detail of each option, and of the functions that need to be executed directly by SO. However, while this will be influenced by the final drafting of the 3rd Package, much work can be done now by the SO's and by the Asset Owners to develop a deeper understanding of the organisational and cost implications of implementing the various unbundling structural options allowed for under the finalised 3rd Package.
- We believe that the current operations of the system are efficiently structured in terms of cost with BGN carrying out the vast bulk of the work North and South, at the instruction of the current SO's. Splitting the service provision entity into a number of separate entities will lead to loss of scale in an already small system and will inevitably lead to increased cost.
- We believe that doing further work and awaiting the final 3rd Package outcome before finalising on the most appropriate structural solution does not and should not act - in any way - as an impediment to progressing the Operational aspects of carrying out certain SO functions on an all island basis as outlined in the RA's proposals in Section 3.

- Market Contestable model for selection: BGÉ agree with some of the respondents to the May consultation paper that a contestable solution may introduce unnecessary costs and risks during changeover of service provider. It would not be advisable and it is not necessary to add risks with safety, operation and integrity of the network associated by changeover of the service provider. While on the face of it a contestable solution may be worthy of consideration, the fact is that the provision of these services is quite specialised, and there are a very limited number of parties who have the facilities and are qualified to do so.
- Health and safety: –The Statutory responsibility for Health and Safety(H&S) in each jurisdiction needs to be respected and any obligations/reporting requirements between the relevant H&S Authorities and System Operators/Owners needs to be accommodated within whatever CAG arrangements are put in place.

Section 5 Network Codes

- Single Unified Network Code: BGÉ agrees with the RA's that a single unified Transmission and Distribution Code which also facilitates the existence of separate distribution codes will be a pragmatic and cost-effective solution, particularly if the All Island Code is based on existing codes North and South.
- The single unified code solution will facilitate a significant rationalisation of the transportation arrangements on the Island.
- BGÉ believes that the single Code will facilitate an all island approach to cross jurisdictional issues such as emergencies, gas quality, planning and development, balancing and interface with the upstream transportation regime in GB.
- Single IT interface: It is logical that a single IT interface be made available to Shippers, based on the provisions of the single Unified Code, and that there are opportunities to implement this in a cost effective manner by building on the Codes and IT systems already in existence, without major structural changes or additional unnecessary costs.
- We note the reference in the paper relating to ownership/hosting of the single IT system and control room, and these we believe are secondary issues for industry participants. The primary issue will be the terms on which Shippers contract for transportation services, contained in the provisions of the single unified Code. The Code will be the vehicle whereby Shippers contract for transportation services on the all island network, and where these rules are systemised, who operates (and owns) the system to give effect to these provisions will be a secondary matter for Shippers.
- The key issue will be that the Shipper interface is user friendly and implemented in as cost effective a manner as possible.