

Mitigation Measures to address Potential Capacity Constraints at the Moffat Entry Point in 2013/14

Synergen's response to CER-11-206

Introduction

This paper is Synergen's response to the consultation paper CER-11-206 published by the SEM regulatory authorities (RAs) on 28th November 2011. Synergen has no objection to this response being published.

Synergen would like to make the following initial points prior to commenting on the potential demand and supply mitigation measures consulted on in the paper:

- i) The RAs state in the consultation paper that further analysis is required on the assumptions that have been used in the JGCS 2011 network analysis. One of key conclusions of the JGCS 2011 network analysis is that there may be a potential short term capacity constraint in 2013/14. The paper also states that *"the RAs intend to examine all responses received with a view to producing a decision paper on the matter in January 2012"*. Synergen believes that before any decisions are made in relation to the introduction of demand and/or supply mitigation measures that the assumptions used in the JGCS 2011 network analysis are further analysed. There may be significant costs related to implementing these demand and/or supply mitigation measures so it is essential that enough time is allowed to ensure further analysis on the assumptions used in the JGCS 2011 network analysis.
- ii) Making a decision in January 2012 regarding the implementation of demand and / or supply mitigation measures does not allow sufficient time to fully understand the cost, logistics or implications of each mitigation measure. The RAs need to allow enough time to review each of these mitigation measures in detail prior to any decision being made.

Response to Mitigation Measures

Mitigation Measure 1: The introduction of interruptible exit capacity products

Synergen is not in a position to comment on other generators' appetite for an interruptible exit capacity product, which would not be of interest to us.

Mitigation Measure 2: Fuel Switching by Power Generators and I/C Customers

i) Existing Emergency Managers / TSO Arrangements

Synergen does not agree that “existing arrangements whereby emergency managers in both jurisdictions may issue a specific direction (in conjunction with the electricity TSOs) for a reduction in demand from gas-fired generating station(s) which would address the short-term constraint and prevent a natural gas emergency” should be used in the event of a potential short term capacity constraint. There are specific emergency procedures set out in the gas network code and Synergen believes that an alternative procedure should be included in the code for short term constraints. An emergency event and a short term constraint event are very different in definition and there should be separate procedures for these separate events. It is essential that an emergency event and its associated emergency procedures are kept separate to a short term constraint event.

ii) Pre-arranged schedule

In relation to this potential demand side mitigation measure, Synergen believes that a specific scheme will have to be developed and consulted upon and will involve numerous parties which include SEMO, shippers, generators, the gas and electricity RAs and the gas and electricity TSOs. The design of such a scheme is complex as there are many issues to address to ensure that a generator remains cost neutral if it is instructed to switch to an alternative fuel. Such issues include, but may not be limited to:

- recovering the costs related to operating on distillate fuel and any settlement issues arising from the plant having bid commercial offer data for gas operation;
- technical limitations on the loads at which CCGTs can switch from gas to distillate and from distillate back to gas. Since this issue is not one affecting CCGTs in

other countries there is no incentive for GT manufacturers to provide a technical solution.

- the risk of a generating plant tripping during its changeover from gas to distillate (and from distillate to gas);
- additional emissions during the fuel changeover and during the operation on distillate oil. Each generating plant has in its operating licence a limit on the number of hours that it can operate on distillate oil.

The consultation requests *“respondents’ views on the appropriateness or otherwise of extending the amount of alternative fuel to be held by certain stations to more than five days”*. Generating plants already have the requirement to hold between one and five days of alternative stocks which have significant financial and logistical implications for a generating station. Synergen does not agree to the proposal of extending the amount of alternative fuel to be held by certain stations to more than five days. Given their site footprint, in some power stations it may be physically impossible to install a new fuel oil tank, nor is it clear from the consultation paper how generators would be compensated for the capital cost of installing new fuel tanks and of the additional fuel stock. The logistics and costs of refilling the distillate oil tanks by roadside tanker should not be underestimated if there is an instruction for a generating site to switch to running on distillate oil for a prolonged period.

Mitigation Measure 3: Amendment to shipper renominations at Moffat

Synergen agrees to the approach of applying the existing arrangements in the respective network codes on the basis that the indicative operational schedules received from SEMO are as accurate as possible in order for generators to nominate and renominate their generation profiles accurately. There are already penalties in the network codes for leaving the system out of balance and no further penalties are required; Synergen has previously commented in electricity consultations on the TSOs adding penalties which do not incentivise performance in situations where generators are already being penalised by lost revenue. Synergen does not agree with the statement that *“a further approach would be to introduce additional penalties/charges in relation to such renominations”*. An analysis of what can be achieved by applying the rules of the network codes in relation to renominations should be undertaken over a specific period of time. It should be noted that with the

introduction of within day trading from July 2012, the present rules of the network codes in relation to renominations should be reviewed and discussed between all parties to ensure they will operate effectively as per the original intentions of the present wording for renominations in the gas network codes.

Mitigation Measure 4: TSO investments in network infrastructure in onshore Scotland

The RAs have stated in the consultation paper that *“BGN’s preliminary compressor and network modelling indicates that by twinning the single pipeline between Cluden and Brighthouse Bay, the technical capacity of the Moffat Entry Point would increase by approximately 10% to 15%, subject to further analysis”*. Synergen believes such a costly proposal should be based on detailed modelling rather than preliminary modelling. It should also be confirmed that the appropriate planning and installation of this proposed reinforcement/modification to the infrastructure in onshore Scotland can be completed by 2013/14 when there is a potential capacity constraint at the Moffat entry point. A cost benefit analysis should be carried out for this proposal to include a calculation of the impact on current network tariffs.

Mitigation Measure 5: Utilisation of Gas Storage/ LNG

A) Commercial /Strategic Investment in Gas Storage/LNG

The RAs have stated in the consultation paper that they are *“considering gas storage in the context of a potential short-lived capacity constraint in 2013/14 rather than a supply constraint”*. Synergen views this potential supply side mitigation measure as limited considering the fact that there is only one sole existing storage facility in Ireland. The RAs need to quantify the levels of commercial gas storage available from this storage facility and assess how this specific mitigation measure would impact on the potential capacity constraints at the Moffat entry point in 2013/14 taking into account the ejection rates of gas from this storage facility. The consultation paper outlines that *“the costs associated with holding certain levels of commercial storage for use during the winter months, for a number of winters, could be relatively low and may be considered appropriate”*. Synergen is not in a position to comment on the cost of commercial gas storage but suggests that, in order to reduce costs, the investment in gas storage should be limited to the winter of the

potential short-lived capacity constraint in 2013/14 rather than several winters as stated in the consultation paper.

B) Obligations to hold minimum levels of indigenous storage

Synergen does not support the obligation on shippers/suppliers to hold gas in storage for two main reasons:

1. generating stations already have the obligation to store a certain quantity of back-up fuel stock at a significant cost to them;
2. gas storage on the island is limited so this obligation would not be feasible to impose on shippers and suppliers.

Mitigation Measure 6: Agreed and Anticipated Pressures at Moffat

Synergen supports Gaslink continuing to actively engage with the National Grid in relation to the contractual and anticipated normal off-take pressure (ANOP) at Moffat. It is critical to achieve as high an off-take pressure at the Moffat entry point during periods of peak demand to help reduce the potential capacity constraints at the Moffat entry point in 2013/14. Compared to other potential mitigation measures, it appears that there are no financial implications associated with this measure so as a result it should be considered as one of the key mitigation measures.