



Gaslink, BGE (UK) and BGN joint response to:

CER Consultation Paper CER/12/023 - “South-North Gas Pipeline and Compliance with EU Law”

and

NIAUR paper – “Consultation on Regulation EC1775 /2005 infringement action”

Introduction

This response is submitted jointly by the members of the BGE group with licences relating to gas transmission in Ireland South & North including:

1. Gaslink the licensed TSO in RoI
2. BGE (UK) ¹a conveyance licence holder in NI
3. BGE (UK) as holder of the licence issued by CER for that part of the South-North Pipeline (SNP) location in RoI.
4. BGN as licensed Asset Owner in RoI and service provider to all the TSO's on the island of Ireland

We welcome the opportunity to comment on the consultation papers issued by CER and NIAUR and look forward to working with the Regulatory Authorities (RA's) and industry in both jurisdictions to implement the agreed solution.

We appreciate the difficulties facing the RA's in resolving complex issues such as determining the location of the Relevant Point (RP) and we note the cross reference between the RAs' consultation papers in relation to this issue.

To assist the RA's we have structured our response as a joint submission North and South and have endeavoured to present our analysis of the questions and issues raised in the consultation papers.

The RA's Relevant Point decision will have a significant impact on the BGE Group as operators in both affected jurisdictions and particularly BGE (UK) which is owner of the South-North Pipeline and currently holds the licence to operate the South-North Pipeline in each of NI and RoI. The BGE (UK) Network Code and the Gaslink Code of Operations must each be modified to accommodate operational arrangements in the South-North Pipeline. The location of the Relevant Point influences the nature and extent of such modifications.

¹ BGE (UK) was awarded a conveyance licence in Northern Ireland in 2001 for the North-West Pipeline (NWP) and South-North Pipeline (SNP). BGE (UK) operates under the trading name “BGE (NI)” or “BGE (Northern Ireland)” in NI.

Addressing the EC1775 infringements

As the RA's are aware we are currently progressing the work to address the EC1775 infringements as two projects South & North and will continue to report progress against the respective programme in each jurisdiction.

South-North Pipeline Arrangements

One of the principle areas identified by the EU infringements North and South relates to the introduction of commercial arrangements to facilitate gas flows on the South-North Pipeline.

Arrangements are currently being developed South & North to facilitate commercial arrangements for physical gas flows from the Interconnector to NI and to facilitate virtual reverse flow /backhaul against this physical forward flow. It should be noted that the networks as currently configured will not under normal operating conditions facilitate physical flows from the RoI onshore network into NI and vice versa.

One of the fundamental principles to be agreed is the location of the Relevant Point North and South as this will be where the two commercial and operational regimes interface. We note the arguments put forward in each of the regulatory consultation papers regarding the location of the Relevant Point and we will work to implement whatever solution is agreed between the RA's South & North.

Any solution should be workable and transparent for shippers and should be fully compliant with the requirement for EU legislation and should not introduce the risk of further infringement in either jurisdiction.

To assist the RA's in reaching resolution on this issue, we have endeavoured to outline below our analysis of some of the issues and questions raised in the RAs' papers.

Location of the Relevant Point

The location of the Relevant Point on the South-North Pipeline (SNP) can be accommodated at either Gormanston or at the Border. In our analysis, we attempted to look at the pros and cons of both options.

It is important to note that our response is strictly on the basis that all of the South-North Pipeline remains under the commercial and operational control of BGE (UK) irrespective of the location of the Relevant Point. If the Relevant Point is located at the Border BGE (UK) may choose (subject to regulatory approval) to adopt the Gaslink Code and enter into arrangements with respect to the operation of that part of the South-North Pipeline in Ireland. However this does not derogate from the fact that the Pipeline is and will remain in the ownership and operational and commercial control of BGE (UK) subject to appropriate regulatory oversight.

Inter-operator Agreements will be required irrespective of the location of the Relevant Point. The nature, complexity and extent of these Inter-operator Agreements will be different

depending on the chosen location. Similarly, we believe that there must be some level of agreement between the regulatory authorities.

It is noted the construction of the South-North Pipeline was mandated through the BGE (UK) Licence in NI. The CER has however issued a licence to operate that part of the South-North Pipeline located in RoI.

It has been noted that the regulatory authority in RoI oversees the operation of the Interconnectors as part of the BGE Transportation System however, the provisions of each of the first and second Interconnector Treaties afforded certain rights and protections to the UK which has facilitated the UK in adopting this position. There was agreed terms for access to the relevant part of the BGE Transportation System within the UK for the benefit of N.I. through each of the first and second Interconnector Treaties. The UK Regulatory Authorities have reserved, through licence conditions, the right to alter this position.

Where should the Relevant Point on the South-North Pipeline be located?			
Gormanston		Border	
Pros	1) There will be a single commercial operational regime for the entirety of the South-North Pipeline. 2) The infrastructure for meter facilities currently exists at Gormanston.	Pros	1) There will be a single commercial operational regime for all of the Transmission pipelines in RoI. This delivers a more user/shipper friendly environment and encourages business use. 2) Shippers to NI taking title to gas at the Border would not require a shipping licence from the CER in RoI. 3) It would facilitate the option for BGE (UK) to adopt the Gaslink Entry/Exit Code on that part of the South-North Pipeline up to the Border. 4) This would avoid the necessity to develop specific connection policy with respect to the South-North Pipeline in Ireland and ensure delivery of a single connection policy throughout Ireland.
Cons²	1) A policy for connections to the	Cons²	1) Deemed metering would need to

² It should be noted that further metering will be required irrespective of the location of the Relevant Point and this will be the case in both solutions for either Gormanston or the Border.

	<p>South-North Pipeline in Ireland and an appropriate operational and regulatory regime for such connections would need to be developed.</p> <p>2) It introduces unduly complex approval processes for the SNP including the development of ENTSOG Network Codes, where the System Operator is potentially subject to direction from two Regulators and is subject to two separate licences. It is noted that Moffat is quoted as a precedent for such arrangements however, the operational arrangements in Scotland pre-dated requirement for issue of any licences or otherwise by the UK authorities with respect to the Interconnectors and the interests of UK were protected through the Interconnector Treaties.</p> <p>3) Areas that might be supplied with gas from the SNP as well as the existing connection to the BGE network in Ireland would require extremely complex arrangements and associated costs which could discourage connections.</p> <p>4) The BGE (UK) Code would have to be modified to accommodate emergency arrangements which apply in Ireland and to reflect statutory requirements in Ireland.</p>	<p>apply such that the meter at Gormanston will be treated as metering at the Border.</p> <p>2) Metering facilities will need to be reviewed and further developed in the event of any offtake in Ireland.</p>
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Transportation Arrangements on SNP located in RoI

We have attempted to look at the pros and cons applying the Gaslink Code or the BGE (UK) Code as outlined below.

What Code Arrangements should apply to the section of the SNP located in RoI?			
BGE (UK)		Gaslink	
Pros	1) In the absence of any RoI Shipper access to the SNP in Ireland, then the current BGE (UK) Point-to-Point Code could, with the approval of the CER be extended to Gormanston provided however that the BGE (UK) Code be modified to take account of statutory requirements applicable in Ireland.	Pros	1) One Code of Operations which applies to all pipelines in the Irish jurisdiction provides a more user friendly service for End Users and for Shippers in both jurisdictions as all Shippers will have a single set of rules and a single licence requirement. 2) The Gaslink Code is an Entry Exit Code consistent with EU Regulation 715/2009.
Cons	1) The BGE (UK) is a Point-to-Point Code. This may raise issues: (a) for regulatory approval being sought for a Point-to-Point Code in a jurisdiction; and which currently has an approved Entry Exit System. (b) risks for the operator who is asked to extend a Code which requires modification from a Point-to-Point regime to an Entry Exit regime in order to become compliant. 2) Two separate Codes (with separate products / transportation rules) would apply to the pipelines within the Irish jurisdiction. 3) Potential difficulties for Shippers to NI who would require an RoI licence to ship on the South-North Pipeline located in RoI.	Cons	1) An arrangement would have to be developed between Gaslink and BGE (UK) for BGE (UK) to adopt the Gaslink Code.