

## Representation

### Draft Modification Report

#### 0356/0356A: Demand Data for the NTS Exit (Flat) Capacity Charges Methodology

**Consultation close out date:** 06 January 2012  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** Bord Gais Energy (BG Energy)  
**Representative:** Dermot Lynch  
**Date of Representation:** 06 January 2012

#### Do you support or oppose implementation?

**0356** – Qualified Support

**0356A** - Not in Support

#### If either 0356 or 0356A were to be implemented, which would be your preference?

Prefer 0356

#### Please summarise (in one paragraph) the key reason(s) for your support/opposition.

## 0356

Implementation of modification 0356 offers a more transparent, less discriminatory, more reliable and overall a more consistent methodology for calculating the appropriate demand data for the NTS Exit Capacity Charges relative to 0356A. As a major shipper and supplier operating in both the Republic of Ireland (RoI) and Northern Ireland (NI), the indicative rise in Moffat exit capacity charges from October 2012 and its consequent billing impact on already hard pressed electricity and gas customers in RoI and NI was a major concern to us. Therefore, BG Energy welcomes the Joint Office of Gas Transporters (JOGT) recognition that the current charging methodology is unworkable and its acknowledgement that modification proposals are necessary. It is evident that using the current methodology will lead to overinflated Moffat exit charges over the coming years due to the receipt of unrealistic demand signals. Option 0356 goes some way to addressing this anomaly and therefore is preferable to both the current charging methodology and option 0356A. We consider that the use of forecast data will result in more cost reflective and equitable pricing regime and is much more likely to avoid the over or under-statement of peak day flows associated with the use of capacity bookings. Furthermore by consistently using forecast data for all types of exit point, option 0356 avoids the apparent discriminatory aspects of option 0356A which selectively uses booking data for certain exit points and zero flow assumptions for others, without any rigorous underlying rationale.

## 0356A

BG Energy considers that there is an inherent inconsistency associated with modification 0356A whereby the use of capacity booking data within the charging methodology will lead to unrealistically high peak day flow assumptions at certain exit points (such as Moffat), whilst other exit points where short term bookings predominate will have unrealistically low peak day flow assumptions. Currently, approximately 60% of Ireland's electricity is powered by gas generation and 90% of the island's gas demand flows through the Moffat exit point. Therefore as both the electricity and natural gas sectors are extremely reliant on UK supplies and as such shippers tend to err on the side of caution and book more rather than less capacity. BG Energy considers that any exit pricing methodology based upon capacity bookings fails to appreciate Moffat's unique position as fundamental to the securing of gas supplies for the island of Ireland and will lead to an overinflated exit charge due to unrealistic demand signals received. Furthermore, BG Energy considers the imposition of modification 0365A an inequitable proposition for customers in RoI and NI. Indeed modification 0365A appears similar to the existing methodology for exit charge setting from 2012/13 onwards based upon capacity booking levels.

## Are there any new or additional issues that you believe should be recorded in the Modification Report?

While modification 0356 is preferable to modification 0356A and is compliant with the essential criteria of transparency, non discrimination, reliability and consistency, it is our view that 0356 does not fully meet the cost reflectivity criterion as it still over estimates peak day demand. Such consideration is absent from the Modification Report. BG Energy considers that permitting applicants to revise their current bookings on an annual basis during the July booking window would undoubtedly lead to better and more accurate capacity requirement signals hence a more realistic tariff. A workable alternative would be a proposal whereby TSO's are permitted to provide a more flexible and fluid demand forecast on an annual ex ante basis during the July booking window. In the case of the island of Ireland, the most verifiable and accurate data that could be used for the Moffat Exit Point is that of forecast peak demand as published annually in the Joint Gas Capacity Statement between the two Regulatory Authorities on the island.

## Relevant Objectives:

*How would implementation of either of these modifications impact the relevant objectives?*

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In our view, Modification 0356 meets most of the relevant criteria required. It offers a myriad of advantages compared to 0356A on the basis that it is a more transparent & non discriminatory methodology and offers a level of consistency and equity across all exit points.

Of the 2 options presented, modification 0356 also best meets the cost reflectivity criterion. Although BG Energy considers that modification 0356 still overestimates peak day demand and therefore exit costs, it is a major improvement on the as is position and is also preferable to modification 0356A.

### **Implementation:**

*What lead-time would you wish to see prior to either of these modifications being implemented, and why?*

BG Energy recommends the implementation of the agreed improved solution in Q1 2012 to allow calculation of prices for the 2012 application window and the 2012/13 gas year.

### **Legal Text:**

*Are you satisfied that the legal text will deliver the intent of either of these modifications?*

### **Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*