



NORTHERN IRELAND AUTHORITY
for ENERGY REGULATION

Mr. Julian Majdanski
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands B91 3QJ

6 December 2006

Dear Julian

Re: Modification Proposals 0116V/0116VD/0116A/0116BV/0116CV: “Reform of the NTS Offtake Arrangements”

NIAER does not support the implementation of Modification Proposals 0116V, 0116BV or 0116VD.

NIAER supports Modification Proposal 0116A as our first preference; however if 0116A is rejected then NIAER’s second preference would be 0116CV. Please note that this stated preference follows from the options available. The preferred option for NIAER is still for Moffat to be completely exempted from the reforms. As an interconnector on the NTS with three downstream jurisdictions, treating Moffat differently would not be unduly discriminatory and therefore NIAER would favour the current arrangements at Moffat becoming the enduring arrangements.

The reforms will lead to significant changes to the commercial and operational arrangements at the Moffat exit point. All parties who have an interest at Moffat have lobbied hard to exempt Moffat from the reforms. Arguments have centered on Moffat as a unique exit point, as well as expressing concerns regarding security of supply. NIAER has supported the efforts of GB parties to ensure that European network regimes are designed in such a way as to promote the transit of gas between jurisdictions. We remain disappointed that the concern that those same parties show to continental European transit regimes does not extend to Moffat.

We continue to believe that the promotion of effective transit regimes benefits all consumers and should be an important duty for all European networks. We again request that the costs imposed on consumers downstream of Moffat are taken into consideration in reaching a final decision on the reforms and in considering the appropriateness of alternatives at Moffat. For example under the reforms, we estimate that the cost of

implementing a solution downstream of Moffat will be at least ten times the current annual capacity payment at Moffat.

NIAER notes that under the reforms the “ticket-to-ride” (TTR) system currently in operation at Moffat will cease to exist. Under TTR exit capacity at Moffat can only be secured by NTS shippers if they have a certificate to prove they have a customer downstream of Moffat. This mechanism was put in place to prevent capacity hoarding at Moffat and we see no reason why it should not continue, hence our support for 0116A.

NIAER would be grateful if an explanation could be provided on why TTR should not continue at Moffat. We are not aware of any analysis justifying the deletion of this system or its implications and would appreciate seeing detailed arguments before any approval is made.

If Ofgem decide to reject 0116A, we believe that, with the retention of TTR, we can successfully work towards a solution to accommodate the changes made to the NTS Exit (Flat) Capacity. However we do not have a practicable solution that will easily allow us to accommodate the NTS Exit (Flexibility) Capacity. We believe that the proposed solution to allow an agent to perform the role of entering auctions on behalf of other parties will be untested, complex and disproportionately expensive. Therefore assuming our request for the unique treatment of Moffat is rejected as well as 0116A, then we support Modification Proposal 0116CV and would hope to see the flexibility product dropped from the proposals.

With specific regard to security of supply, NIAER feels that in order to fully assess the risk the reforms present to the Irish shipping community, a greater understanding is needed on capacity substitution. NIAER would therefore kindly request more details on the issue.

We are happy to further discuss any of the issues arising out of this response and we look forward to continue working with gas transporters and Ofgem to ensure the implementation of an effective and efficient transit regime at Moffat.

Yours sincerely

Brian McHugh
For and on behalf of NIAER