



Carl Hashim  
OFREG  
Queen's House  
14 Queen Street  
Belfast  
BT1 6ER

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Dear Carl

### **NTS Exit Reform**

firmus energy understands that National Grid has proposed modification 116 to put in place NTS exit reform arrangements. This will require users in NI and RoI to book flat NTS exit capacity 3 years in advance and commit to pay for 4 years usage in order to secure firm capacity. The proposed reform is also suggesting a flexibility product.

Recognising that Ofreg and CER have highlighted to Ofgem that users downstream of Moffat should not be treated in the same way as GB users, firmus energy would call upon both Regulator's to continue to put pressure on Ofgem to relinquish an approach which is seeking to apply a GB model to a very different Irish market.

Our concerns are compounded by the fact that, given the fledgling nature of firmus energy's business, we are unable to comprehend how we could be expected to book capacity, with any accuracy, from July 2007 for the 2010 gas year. Indeed, we feel that it is wholly unrealistic for a business like ours, at the very start of a 30 year development programme, to forecast capacity, 3 years in advance.

In light of this, Ofreg is seeking views on three potential options for NI shippers.

firmus energy has considered each in turn, and provided a considered response on each.

Option A suggests a single party, most likely BGN, to act as "aggregator" for all downstream Shipper capacity requirements and to book NTS exit capacity on behalf of all Shippers. BGN could book and pay for NTS exit capacity on behalf of all Shippers under this arrangement. Shippers could acquire capacity from BGN. BGN would recover costs from Shippers.

This option could potentially address security of supply issues and help to alleviate capacity hoarding concerns.

In principle, firmus energy believes that Option A could be considered further.

Option C suggests that Shippers book NTS exit capacity as they please. This could lead to National Grid “drawing” capacity away from certain exit points, via proposed substitution rules, most notably Moffat Exit Point, to the detriment of Irish Shippers.

As this could pose security of supply issues in NI and RoI and potentially encourage capacity hoarding, firmus energy does not consider this to be a feasible option.

Option D suggests power stations booking capacity for themselves. Shippers could use a Belfast “aggregator” who we understand will offer a bundled NTS Exit and NI Transmission product to the Distribution Market.

firmus energy does not believe that this option has taken account of the development of the 10 towns along the route of the NW and SN pipelines. It is not clear how the model would cater for NWP/SNP Distribution markets. firmus energy believes that it would not be appropriate for the Belfast ‘aggregator’ to book NTS Exit Capacity for the NWP/SNP towns and that this model would require the introduction of a NWP/SNP Distribution market ‘aggregator’. firmus energy believe that this would introduce a level of complexity into the NI distribution market which would not be desirable and hence do not believe that Option D is feasible.

In conclusion, firmus energy believes Option A could be considered further, should NTS exit reform proceed.

Yours sincerely

*Michael*

Michael Scott  
**Regulatory Affairs Manager**