

## BGE Response to A078 (Proposed 'Oversell' Approach) – 13/12/2016

With respect to A078 'Overrun charges at domestic entry points', Bord Gáis Energy (BGE) would like to make the following points.

First of all, there are well documented, regularly used and efficient methods already in place that allow the effective use and management of entry capacity via the secondary capacity transfer mechanism and BGE cannot understand the logic for this request in the first place.

After a long number of years which included judicial reviews, pressure limitation agreement, route changes etc., planning permission was finally granted under strict criteria. Also, the link-line agreements are in place for well over 10 years so why now are IOOA suddenly interested in bringing this proposal forward which is requesting the sale of capacity above the agreed safe levels provided for in the aforementioned agreements and particularly since there has been no evidence of hoarding of capacity at the Bellanaboy entry point and no evidence of on-going issues. Two minor shortages were sorted with a phone call so no Shipper has been left short capacity to flow gas.

The alternative proposal of overselling capacity is a new precedent for the Irish Industry and to ensure GNI always act as an RPO the approach at all other Entry Points has been to offer up to lowest technical capability at that Entry point as agreed in a Connected Systems Agreement with the Upstream Operator. This principle is the right approach and altering this for what is both unnecessary and very short lived for one entry could lead to ~~can have~~ serious long term consequences at other entry points. There is ~~would be~~ a real risk of opening exposures above the 103.87 GWh/d due to the fact that this capacity will be above its true capability and should GNI fail to be able to provide the additional capacity then the downstream affect will be to interrupt a Shipper and it will increase costs on those shippers at the affected Entry point.

The following is the reality for our 3 domestic entry points 1) Inch field is no longer at peak production and so does not require this proposal, 2) Moffat has sufficient capacity but will always be limited by 'lower of' rule as agreed in the Connected Systems Agreement and therefore will require National Grids consent to implement and 3) the Corrib Field is in decline in the very near term and will have no requirement for this mod over the medium to longer term.

There is also a Secondary Market to Title Trade Entry Capacity, which works and is the obvious solution if there is truly an issue, plus EU laws and rules provide suitable protection against hoarding.

There is a major safety risk of increasing pressure on pipes above this maximum limit and I presume planning was granted on the basis of maintaining pressure below a certain level. The 103.87 GWh limit on capacity was set with respect to safety regulations and if it is now intended that capacity can be sold above this limit then Bord Gáis would request a new safety review to take place to ensure that there is zero likelihood of gas flows going above this limit.

Also there is a suggestion that the Corrib operator would be the party that would be responsible for the allocation of capacity. How would the Corrib operator decide on allocation priority? How can we have a party which is not regulated controlling the level of capacity that each individual shipper gets? All this requires Regulatory intervention as it is the Code and Shippers signed up to the Code who purchase and pay for Entry capacity, and IOOA are now proposing capacity allocation is decided by a non-regulated third party.

The Corrib field will be in decline by the end of year one. At this stage, the production capacity will be lower than the technical capacity. Therefore, no shipper will purchase more than they require which will mean there will be spare capacity available for whichever shipper requires it.

In summary, Bord Gáis Energy does not see any validity in the A078 proposal in any form.

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- It would appear that there may be other secondary reasons for the proposed Cod Modification as effective rules are already in place so why would one introduce new rules at the Corrib Entry point, which would need to apply for all Entry points equally, when the rules already in place have a long history of working fine.
- The cost of Corrib entry ensures that no shipper would opportunistically hold extra capacity with a view to holding others to ransom (a mere 5% of Corrib Entry capacity is 5GWh which would cost over €3M)
- There is no evidence since Corrib has gone into production that there has been any intentional capacity hoarding
- Overselling capacity carries a real and tangible safety risk on the Corrib pipeline and would require a full safety review prior to any approval being granted.
- Post year one, the production capacity will be less than the technical capacity and therefore there will be excess capacity safely available for purchase
- It is unacceptable that an unregulated party would be in control of capacity allocations.
- The concerned parties seem unwilling to rely on the market in the form of Secondary Capacity Trading to provide the solution to a concern that doesn't truly exist

Regards  
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