

Ruth Carey
BGE(NI) c/o Gaslink
6 Lapps Quay
Cork
Ireland

31 March 2010

Dear Ruth

Re: BGE(NI) Code Modification Proposal 7

Thank you for your recent submission of the Final Modification Report in respect of the above named modification. The Northern Ireland Authority for Utility Regulation (NIAUR) has considered the issues raised by this modification and the FMR. The Authority has concluded that the modification would better facilitate the "relevant objective" as defined in your gas conveyance licence.

Reasons for the Authority's decision

We note that the one consultation respondent was supportive of this modification proposal. Part B of the FMR identified how the modification better facilitates the relevant objective as per the BGE(NI) conveyance licence and we will consider the relevant parts below.

BGE(NI) Licence Condition 2.4.1 (a) the secure, safe, reliable, effective and economic development and operation and maintenance of the Network with due regard to the environment;

BGE(NI) Licence Condition 2.4.1 (aa) the balancing of the Network pursuant to rules for that purpose which are objective, transparent and non-discriminatory (including the rules for the charging of system users for energy imbalance);

The FMR states that "the modification is intended to address the NES issues on barriers to entry on the NI Network by potentially reducing overall imbalance costs to Shippers provided Shippers behaviour remain consistent or improves. Such a benefit will reduce charges passed to customers by NES and may subsequently enhanced the NES portfolio position. . The change may also assist with reducing Shipper positive imbalance and may reduce the large quantity of system sells required to be made".

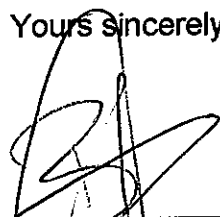
We note that this will of course be dependent upon Shipper behaviour either remaining consistent or improving. Both BGE(NI) and the UR will review how Shipper behaviour changes following implementation. However we would concur with BGE(NI)'s statement that Shippers should endeavour to ensure their inputs equal outputs in respect of a day.

This modification is an interim step until more fundamental reforms to the imbalance regime are made under the Common Arrangements for Gas. BGE(NI) is actively engaged with Gaslink, PTL, and the Regulatory Authorities (CER and the UR) on these proposals.

Conclusion

Accordingly, and as required by Section 10 of your Transportation Code Modification Rules, NIAUR directs BGE(NI) to implement the proposed modification with effect from 1st April 2010.

Yours sincerely



Brian McHugh
For and on behalf of NIAUR