



Energy for
generations

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**Initial Modification Report No.8: Phased Reduction of Imbalance Tolerances,
Alignment of Tolerance Load Bands with DM/NDM Categories & Update to Exit
Reallocations Rules**

Dear Stephen

ESB Generation & Trading (ESB GT) welcomes the opportunity to respond to your initial Modification Report for Modification No. 8.

We reference our response to the tolerance review of August 2019 and concerns that the goal of regulatory compliance with the EU Balancing Regulation is being prioritised over the best outcomes for the Northern Irish gas user.

ESB GT does not believe that balancing tolerances should be reduced for power generators in Phase 2 (2021). The level of tolerance will not incentivise changes to balancing behaviours in the power generation sector. We welcome the recognition of interaction between the gas and power sectors as a cause of operational issues, including gas imbalances. The initiation of a forum to improve mutual understanding between market participants of the day to day operational situation of power generators is a positive step for the whole system.

In our view the review mentioned in the Modification Report, designed to reassess ahead of implementation of Phase 2, is essential. The review should take into account the discussion and work of the gas/power forum, market developments and the activities of market participants during the intervening period. *“The opportunity to make further adjustments should they be found to be necessary”* (Initial Modification Report No. 8, p. 4) should take into account the validity and impacts of the changes proposed for Phase 2 and include Industry consultation.

ESB GT suggests that the further assessment of Phase 1 and the Phase 2 proposed changes prior to Phase 2 implementation should be included in the legal text for Transition Arrangements. One option for this would be the insertion of text at the beginning of Section T

to make the entire section contingent on the outcomes of the assessment as outlined in the Modification Report and Industry consultation. The aim is to assure market participants that a timely and meaningful review will take place, and that Phase 2 implementation will be carried out in a considered manner, with the opportunity to avoid consequences which cannot currently be foreseen.

As this consultation concerns imbalances, ESB GT would like to take the opportunity once more to highlight that the *small adjustment* in Northern Ireland remains very high and welcomes GMO's commitment to review its level.

Should you wish to discuss any of the points raised above in further detail, please do not hesitate to get in touch.

Yours sincerely

Kirsty Ingham
Commercial & Regulation Manager, UK
ESB