



GMO NI Initial Modification Report No.17

Phoenix Energy Response

31st May 2023

Introduction

Phoenix Energy (Phoenix) welcomes the opportunity to respond to Initial Modification Report (IMR) No. 17 published by the Gas Market Operator for Northern Ireland (GMO NI) to update the Northern Ireland (NI) Network Gas Transmission Code (NINGTC). Phoenix, upon considering the proposed changes and reviewing the Transporter's opinion, is not supportive of the proposed modification raised by EP Ballylumford.

It is evident that the objective of this proposed modification is to significantly reduce the commissioning costs for EP Kilroot, whilst introducing potentially complex changes to the current Postalised gas regime in NI without any evidence of the impact on other Shippers, and more importantly electricity and gas consumers in NI. EP Ballylumford explain that costs are not recoverable through the electricity market when a power station is undergoing commissioning and grid code testing. Phoenix understands that EP UK Investments Limited has already raised a proposed modification (ID: 01_23) to update the arrangements for the electricity market's Trading and Settlement Code to address this matter. Phoenix believes that this is a more suitable approach to resolve this electricity market matter rather than implementing significant changes to the NI Postalised gas regime which could unfairly impact other Shippers.

Phoenix was supportive of the proposals implemented through Proposed Modification No. 16 implemented on the 27th April 2023 which introduced arrangements which were reasonable to assist future gas-fired power stations to commission without having to incur higher capacity charges for the entire of the relevant Gas Year. At the meeting of the GMO NI Shipper Forum on the 19th April 2023, EP Ballylumford estimated that Proposed Modification No. 16 would reduce the Exit Capacity charges during the commissioning of EP Kilroot by 77% from £11m to £2.55m. Phoenix notes the Transporter's opinion to be that Proposed Modification No. 16 has removed the economic barriers to commissioning any new gas-fired power station in NI.

Phoenix is supportive of the Transporter's opinions on Proposed Modification No. 17, as included in the IMR, but have provided some additional comments below.

Timing of Proposal

Considering that EP Kilroot is scheduled to start commissioning in July 2023, Phoenix queries whether the required changes from this proposed Modification could be delivered on time. Phoenix notes that the Transporter's initial estimate for the implementation of the functionality to Delphi to support the proposed changes is 6 to 9 months as well as the need for this to be preceded by the Transporter Licences being modified to facilitate some of the proposed changes. It should be noted that any

additional costs required for such system modifications, and resource costs to support, would be borne by all Shippers who would not be benefiting from the change.

Daily Exit Capacity Products

Phoenix agrees with the Transporter's view that the introduction of Daily Exit Capacity products in NI is complex, even if their intended use is restricted to the commissioning of a gas-fired power station. The Utility Regulator's current consultation on Short-Term Exit Capacity for Gas Transmission in NI details the complexity involved with introducing such a change, and Phoenix believes that this consultation needs to be completed before any further considerations on the appropriateness of this modification's proposals can be properly assessed. Phoenix believes that this proposed modification does not consider key matters such as:

- Impact on the Exit Capacity tariff;
- Impact on cost allocation between the power sector and gas distribution;
- Impact on year-end reconciliations; or
- How the interests of both gas and electricity consumers are served through the proposed changes,

thus limiting any respondent's ability to fully consider the implications.

EP Ballylumford's presentation, at the meeting of the GMO NI Shipper Forum on the 19th April 2023, indicated that this proposed modification was estimated to reduce the Exit Capacity costs for EP Kilroot during commissioning by 85% from c.£2.55m to c.£317.5k, this on top of the estimated savings of 77% already provided through Proposed Modification No. 16. Phoenix is of the opinion that the principle that capacity utilised should be paid for and that costs should be fairly attributed to each Shipper utilising the transmission network under the terms of the NI Postalised gas regime has to be reflected in any decision reached regarding this proposed modification.

GMO NI also highlight that EP Kilroot's proposed changes would mean that the monies recovered from a commissioning period would be included as Code Charges (which all Shippers would be exposed to through the disbursement process) rather than the monies contributing to the Transporter's Annual Required Revenue (which would reduce the unit cost of capacity for all Shippers through the NI Postalised gas regime). Phoenix notes that the Transporter views this to be inappropriate.

Proposed Changes to NINGTC

GMO NI highlight that there are gaps in the proposed changes to the NINGTC, namely:

- A lack of clarity as to how daily Exit Capacity is to be applied for – including the timescales, method, allocation, and reasons for rejecting an application;
- Confusion over a Shipper having two types of gas flow allocations at the same Exit Point on a day – one for normal commercial use and the other for commissioning;
- How Imbalance Charges would be impacted by an Exit Allocation specifically for commissioning, especially if this results in a positive imbalance position with other Shippers bearing the cost impact;
- How Commodity Charges should apply during commissioning;
- With the proposal to remove Ratchet Charges, and no proposal for overrun charges to apply with respect to Exit Capacity, there is a lack of clarity as to how a power station would be incentivised to accurately book, nominate, and pay for Exit Capacity utilised during commissioning.

It is evident from reviewing the Transporter's opinion that they are unclear on some of the proposed arrangements for the above matters and they have often made assumptions as to the proposer's intent. Phoenix believes that it is essential that any proposed changes to the NINGTC provide clarity and transparency to all Shippers and avoids, where possible, the proposed changes being used beyond the intent for which they were intended.

Relevant Objective

When considering the 'relevant objectives', as per condition 2.4D.2 of the Transporter Licences, Phoenix disagrees with EP Ballylumford's assessment that the proposed changes would "support the efficient and economic development of the NI Network and promote effective competition by removing economic barriers to potential new Shippers". This proposed modification will only apply to Shippers registered at a Power Station Exit Point, and not new Shippers of a different type of Exit Point. In addition, it is difficult to see how the proposed changes would promote the relevant objective of promoting the effective competition between gas suppliers when the proposals are likely to add additional costs and volatility to the NI Postalised gas regime.