

SEM-23-080

Dear SEM Committee,

Thank you for the opportunity to respond to this consultation on modified and combined Modifications to Facilitate Delivery of Capacity. This response is on behalf of Mutual Energy, which owns - via subsidiary companies - three of the four licenced gas Transmission System Operators (gas TSOs) in Northern Ireland. Mutual Energy also owns the Moyle electricity Interconnector.

We welcome the SEM Committee's proactive approach to consolidate the various ad hoc modification proposals, which have increased in number and frequency in recent months, and hope that this consultation will resolve outstanding issues on a more permanent basis going forward.

Mutual Energy agrees in principle that developers of new power stations should not be penalised for delays which are genuinely outside of their control. However, to date, proposed modifications around delays caused by gas connections have been too open-ended. This could lead to scenarios where the incentive for developers to undertake proper due diligence and build sufficient time into their project plans for gas connections is weakened. This could have knock-on effects on electricity security of supply where capacity agreements are offered to developers relying on unrealistic delivery timelines.

Additionally, proposals to use independent expert determination to apportion blame for delays under contracts between the developer and gas TSO are problematic, both legally and practically. Legally as the Capacity Market Code is not an effective mechanism to place obligations on both parties, and practically as expert determination takes significant amounts of time and resource, taking attention away from resolving issues, and not delivering any benefit to security of supply. Our response to SEM-23-044, in particular relating to CMC_10_23, expands on these points in detail. We therefore welcome the development that the SEM Committee are not proposing to include any sort of provision for expert determination in the consolidated proposals, and that the Regulatory Authorities will be the ultimate arbiter of the cause for any delay.

Fundamental to ensuring that developers of gas-fired plant are prudent in their due-diligence and planning is that they engage as early and openly as possible with the owner of the transmission pipeline that they wish to connect to. This early engagement should reduce the risk that their actions (or inaction) lead to unanticipated delays in relation to gas connections.

We understand that in Ireland, there are well established processes which mean that there is early engagement between potential developers and GNI (the gas TSO in Ireland), facilitated via the electricity TSO, EirGrid. This engagement happens prior to prequalification and entry into capacity market auctions. Unfortunately to date, equivalent engagement has not been in place in Northern Ireland.

There is no requirement on developers within the Capacity Market Code to engage with the gas TSO about a connection before prequalifying for a capacity auction, or indeed before being awarded a capacity contract. Gas TSOs in Northern Ireland (NI) are therefore faced with a situation whereby the first knowledge they have of a potential new connection request is when the capacity auction results are made public. This puts a significant squeeze on timelines for delivering a gas connection in time for the developer to meet its deadlines under the Capacity Market Code.

The NI gas TSOs have begun engagement with SONI to put in place similar arrangements as exist in Ireland between EirGrid and GNI. The recent Direction¹ by the NI Utility Regulator is a welcome development in facilitating such arrangements and engagement has since recommenced with a view to establishing this early engagement process between developers, SONI and the relevant gas TSOs in NI.

The NI Gas Capacity Statement 2022/23² highlighted that use of the NI gas transmission system is expected to become closer to capacity in the years ahead as new gas-fired generation comes online. This means that there is an increased need to assess the impact of further new connections on the network. This would have to be assessed on a case-by-case basis based on information from both potential developers and SONI.

For example, ‘deep reinforcement’ of the transmission network may be needed to facilitate demand from a particular connection. This might take the form of increasing capacity on the network or installing new compressors to improve pressures at certain locations. It is unlikely that such reinforcement would be able to be delivered within a four-year timeframe facilitated by the electricity capacity market, which further emphasises the need for early engagement from developers.

Mutual Energy have recently submitted a recommendations paper to the Utility Regulator outlining proposals to improve the gas network forecasting and planning framework in Northern Ireland. The drivers for this change are wider than this specific issue, but the proposals would improve the ability of gas TSOs to plan for and facilitate new connections in a timely manner. Under our proposed framework, the gas TSOs would prepare regular, detailed and high-quality assessments which identify and outline potential constraints and other issues on the network ahead of time – including issues related to potential new demand. Alongside these forecasts, potential investments which could be undertaken on an ‘anticipatory’ basis to resolve the issues ahead of them becoming apparent would also be determined. These investments would then be assessed based on their consumer benefit and, if desirable, progressed and implemented in due time. This approach would therefore reduce the likelihood of potential new gas-fired generation being unable to achieve a connection in the capacity market timeframes.

These proposals, along with the engagement process for potential developers ahead of capacity auctions that we are working with SONI to develop, should minimise the risk of gas connection delays and the knock on impact they could have on commissioning of new generation and therefore security of supply. However, the work we have outlined will take time to establish and the proposed network planning framework is dependent on regulatory approval and additional resourcing.

Our proposals would be further strengthened by the inclusion of specific requirements on developers of new gas-fired generation within the Capacity Market Code (CMC) to engage with gas TSOs as early as possible ahead of prequalification for capacity auctions. We would propose that this could be achieved through the inclusion of an additional criteria in section E.7.5.1 of the CMC. We are happy to engage further with the SEM Committee and Regulatory Authorities to develop specific legal drafting in this regard.

In parallel we will continue to engage with the Utility Regulator on our recommendations in line with Work Package 7 for Strategic Objective 2 in UR’s Forward Work Programme for 2023-24, which aims to “assess the impact on gas transmission arrangements of projected demand for gas” and “ensures the gas transmission system can cope with new gas-fired electricity generation and will enhance electricity security of supply and facilitate increased gas demand.”

¹ <https://www.uregni.gov.uk/publications/soni-limited-provision-information-gas-network-operators>

² <https://gmo-ni.com/assets/documents/NIGCS-2022-23-to-2031-32-FINAL.pdf>