

## Mutual Energy Limited Response to the TYNDP 2013 - 2022 Consultation

21<sup>st</sup> May 2013

### Introduction

Mutual Energy Limited (MEL) is grateful to have the opportunity to respond to this consultation on behalf of its wholly owned subsidiary Moyle Energy Investments Limited which holds a 35% stake in Islandmagee Storage Limited (IMSL).

In October 2012, IMSL was granted planning permission for a £400 million natural gas storage facility at Islandmagee, Northern Ireland. IMSL plans to create seven caverns, capable of storing up to 500 million cubic metres of gas in Permian salt beds almost a mile beneath Larne Lough. The proposed gas storage facility will make a significant contribution to the security of gas supplies for the whole island of Ireland and Great Britain. In 2013, the project has been granted Project of Common Interest (PCI) status.

MEL has commented on specific questions within the consultation document.

### Questions

#### Infrastructure

*If you are a project promoter that participated in the data collection process, how did you find the on-line application used for that purpose? Do you have concrete proposals on how to improve this process further?*

MEL considers the on-line application process an efficient and effective method. The use of the SharePoint site is particularly useful for those promoters who regularly use the ENSTOG Membernet. Whilst a considerable number of promoters are Transmission System Operators (TSO), who use the site on a regular basis, in order to enhance the current process it would be useful to provide a more detailed guide for those promoters not familiar with the ENTSOG Membernet.

The standard application form should provide for those projects, which have multiple tiers, for example, a project might consist of two stages, firstly the construction of a new onshore pipeline followed by the construction of a gas storage facility. It may be possible to define these as separate projects for the purpose of the report however; a promoter should have the option to submit one proposal, which covers all aspects of the project.

*Do you think that ENTSOG should or should not include projects in the TYNDP where not all mandatory information (i.e. information necessary for network modelling) has been submitted?*

We consider it important that project promoters provide ENTSOG with sufficient information to facilitate the delivery of the TYNDP.

In our opinion, there needs to be clear guidance for project promoters as to what mandatory information is required. Given the importance of a project's inclusion in the TYNDP, it is vital that

promoters are given feedback on their initial application and given an opportunity to update their submission if for some reason all the mandatory information was not provided. If a project's inclusion is dependent on providing particular information, the information requested should only be that which is inherent to the network modelling, is reasonable for the promoter to have and should not be considered commercially sensitive.

## Assessment Results

*For this third edition, ENTSOG considered the following Supply Stress events: technical disruptions (from Norway to France and the UK, and from North Africa to Italy and Spain), transit disruptions (Russian gas through Ukraine and Belarus), supply disruption (Azeri gas) and the low deliverability of LNG terminals. Do you consider these events appropriate?*

We consider the above events appropriate given that these events have affected gas supplies in recent years and continue to pose a risk to supplies within the European network. However, it would be appropriate to consider other events. Please see below.

*What other events should, in your opinion, be accounted for?*

In our opinion, another event that should be accounted for is the technical disruption to the Cluden to Brighthouse Bay pipeline, which is part of the Scottish Onshore System. At the time of writing around 95% of the natural gas demand on the island of Ireland is met from supplies from Great Britain. This is transported to both Northern Ireland and Ireland through this pipeline. If technical disruption were to occur at this pipeline, there would be considerable impacts on the supply into the two countries, which are effectively at the end of the European Natural gas network.

Whilst alternative sources of supply are planned to come on line in the short and medium term, imports from Great Britain will always be required as an essential part of the supply mix. Projects such as the proposed development of the Islandmagee Storage Facility shall mitigate some of the real supply risks that both Ireland and North Ireland face because of their reliance on this pipeline. Given its importance, MEL strongly recommends that this event should be accounted for in future versions of the TYNDP.

## Barriers to investment and potential solutions

*This new chapter identifies the different factors that can negatively impact the appetite for new infrastructure projects and the willingness of project promoters to take a Final Investment Decision. At the same time, it describes positive elements which could help the system in overcoming these opposing factors. Do you share the same view regarding the identified barriers? If not, please explain. Which other factors would you like to be considered?*

We do agree that all the points identified are genuine potential barriers to investment – the key theme underlying several of these is the need for a stable regulatory regime. It is important that regulators appreciate that this is the single most significant factor influencing investment decisions and the ability to finance projects. We agree with the principle that it is important for short term capacity to be properly valued and priced to mitigate the issues identified.

*Do you see other ways to reduce barriers besides those proposed in the Report?*

Another method to reduce barriers and incentivise investment is through addressing the issue of the pancaking of tariff charges. This is especially relevant for planned projects, which will offer benefits across multiple jurisdictions. The layering of tariffs and possible unfair duplication of costs can reduce the benefits to potential storage users thus reducing the feasibility of such a project. It is also vital that the upcoming Tariff Framework Guidelines and Network Code ensure that entry and exit points to and from gas storage facilities are priced at an appropriate tariff. The tariff set or approved by the relevant National Regulatory Authority should take into account the specificities of the system and reflect the positive effects of gas storage on the national system and of those neighbouring systems.

### **Future role of the TYNDP in the PCI process**

*Do you consider TYNDP 2013-2022 methodology as a sound basis for the development of the future Energy System-Wide Cost Benefit Analysis (CBA)? If not, what should be further elaborated?*

Whilst there is significant overlap in the work that would be required for both, it is unclear whether the TYNDP methodology is appropriate to inform the energy system-wide cost benefit analysis. The TYNDP is less comprehensive in considering market/pricing issues, which we would feel, are important in any CBA to be undertaken. We would also feel that the ten-year horizon is too short for the CBA and would assume that this will examine a longer period.

### **General questions**

*What is your opinion of graphical representation of information in the TYNDP 2013-2022 (Methodology, Supply and Demand, and Assessment Results chapters)?*

Overall, the graphical representation of the information within the report successfully supports the analysis carried out and clearly aids the reader in their understanding of the information conveyed.

*What is your opinion on the new format of Annex A and B? Do you have any proposals for further improvement?*

The new format of the Annex A and B are welcome and we consider them an improvement over the versions within the 2011-2020 TYNDP.