

Additional Development Plan: Clanmill from St Pauls Bessbrook

Background:

In 2002, BGE (Northern Ireland) was awarded the licence to construct and operate two transmission pipelines in Northern Ireland. In October 2004, the 115 km NW pipeline, connecting the Scotland to Northern Ireland Pipeline, (SNIP), to Coolkeeragh Power Station, was completed.

The 156 km SN pipeline, connecting Gormanstown in Co. Meath to Ballyalbanagh in Co. Antrim was completed in October 2006. This pipeline forms a key component in the "All Island" energy market by linking the gas networks in Northern Ireland and the Republic of Ireland, thereby providing the opportunity for bi-directional security of supply.

On 24 March 2005 (date of grant), firmus energy was formally awarded supply and distribution licences for the development of the natural gas network across 10 Development Areas. The conveyance licence exclusively entitled firmus energy to convey gas from one place to another in the Exclusive Areas up to the twentieth anniversary from the date of grant.

Firmus energy has reviewed the Exclusive Areas within our licence to consider which of these areas are potentially Additional Development Areas. We understand that for these Additional Development Areas we would require an Additional Development Plan, prepared by firmus energy and approved by the Authority.

Firmus energy has identified Clanmill NB located on Green Road Bessbrook as one of these areas which we would consider as an Additional Development Area. We feel this additional area should be treated as "bundled" and be regulated on the same basis as the 10 towns' business model and that Clanmill NB from St Pauls be treated as a network extension of Newry.

Firmus energy is seeking the Bessbrook and Camlough wards, Newry District to be added to the ten towns development area as the proposed pipeline to Clanmill NB from St Pauls will pass through these wards. The area and proposed pipeline route is marked on the Map **Drawing No. – Bessbrook 3** for reference.

Assumptions

A 30 year recovery period is assumed. A rate of return at 7.5% pre tax real in line with current licence has been factored and prices set at Jan 2006 in line with regulatory submissions. It is assumed within the model that the NB connections will all connect in year one with full gas consumption from year 2 and the existing properties will connect in year 3.

Capex – mains:

St Pauls School has been identified as the only large potential gas user in the area and is included in the current firmus energy price control period and does not form part of this submission.

Breakdown of capex to supply Clanmill NB from St Pauls is included in the financial appraisal model attached.

There will be 900 m of medium pressure network. This additional 900 m of mains will pass 151 properties (89 existing properties and 62 proposed NB for Clanmill), these additional properties passed will be updated within our regulatory property passed targets.

Existing properties:

The proposed pipeline route to Clanmill NB – St Pauls follows Camlough Road and Green Road, which are semi rural in nature with a total of approximately 89 existing properties being passed on the pipeline route. There are 4 further I&C type properties passed by the pipeline (however at the present time these are all derelict and as such no volume has been associated with these properties).

NIHE & New Build Properties

There are no known NIHE owned properties along the proposed pipeline route. The project will enable natural gas to be supplied to the Clanmill NB site at Green Road (62 properties).