

Licence Area Extension and Additional Development Plan: Bushmills

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 is currently reviewing the Areas within our licence and adjoining areas to consider which of these areas are potentially Additional Development Areas. We understand that for these Additional Development Areas would require an Additional Development Plan, prepared by firmus energy and approved by the Authority and, where necessary, an extension to our licence area.

firmus energy has identified Bushmills as the one of these areas which we would consider as an Additional Development Area. We feel that any additional areas should be treated as "bundled" and be regulated on the same basis as the 10 towns business model and that Bushmills be treated as a network extension of Coleraine.

The following items specified in the Gas (Applications for Licences and Extensions) Regulations would be treated in the same way as in our existing area:

- System security standards;
- Safety requirements;
- Exclusive authority; and
- Standard conditions – no modifications are requested

firmus energy asks that the following boundary wards are added to the towns development area, Dunluce in Coleraine District, and Bushmills and Ballyclough in Moyle District.

The area is marked on the map ***Drawing No.- Bushmills 4*** for reference. Dunluce is already in our licensed area. We are applying for an extension to cover Bushmills and Ballyclough.

Assumptions:

A 25 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.

Capex – feeder mains:

Following a detailed review of the industrial loads in the Coleraine area, we have identified Old Bushmills Distillery as a large potential gas user in the area.

Bushmills is located on the North Coast and is primarily a small town with the River Bush running through it. The population of Bushmills according to the 2001 Census is 1,314.

Breakdown of capex, to supply Natural Gas to Old Bushmills Distillery and Bushmills town is included in the financial model attached.

There will be 16,189 m of medium and low pressure network, two pressure reduction stations (Governor bins) at a total capex cost of £1,276,641 in 2006 values (note this includes (£41,700 of incentives). These additional mains will pass 371 known existing properties. These additional properties passed will be updated within our regulatory property passed targets. These main will also facilitate the future supply of natural gas to the existing properties in the vicinity of the town centre.

NIHE properties

There are two NIHE estates in the Bushmills area. The NIHE area office has indicated that there may be a heating replacement scheme in the future with 45 properties within the Bushmills area potentially converting to natural gas. It is assumed that these connections will happen from 2015 over a 3 year period.

I&C properties

The anchor load in the village is Old Bushmills Distillery (750k therms per annum) currently owned and operated by Diageo. Diageo have expressed a desire to switch to Natural Gas and currently use Natural Gas in all their sites where it is available.

There are seven known SME sized customers within the small town most notable a small High School and the Bushmills Inn Hotel. These are assumed to connect over a further 5 year period.

Existing domestic properties

Once the network mains are constructed, 371 existing properties will be passed, firmus energy will endeavour to maximise connection of these mains and expect a connection take up in line with our price control determination of 5% over the period of the licence. It should be noted that as a quarter of all housing in the Bushmills area are second homes, these targets are considered as challenging.

New Build properties

According to the Northern Draft Area plan 2016 *“the level of housing was well satisfied by mid 2004 with 23% of private housing becoming second homes but some small scale renovations are still apparent”* but these are not considered viable at this stage as there is no timescale for this work. There are no definite known New Build sites in Bushmills, however we would prudently expect ten new build properties to be completed in the term of the licence in this area and have assumed such with our model.

Properties Passed:

Properties passed targets will be additional to Annex 2 to Part 3 – Towns Development Plan.

The following properties passed targets are forecast from 2011.

Table 2:

| Yr. | Properties Passed |
|------------|--------------------------|
| Year 1 | 203 |
| Year 2 | 105 |
| Year 3 | 63 |