



Ian Davidson
Gas Transmission Branch
Ofreg
Queen's House
14 Queen Street
Belfast
BT1 6ER

12 January 2007

Dear Ian,

Re: Northern Ireland Gas Inventory Product Trial/Pilot.

Thank you for providing firmus energy with this opportunity to respond to the above.

As you are aware, firmus energy has worked closely with the Regulator and Bord Gais Transportation to develop business rules that will facilitate a 12 month Inventory Product trial. The aim of this trial is to identify the operational and economic viability of an Inventory Product service in Northern Ireland. It is also intended that the trial will be used to identify improvements that can be made to the product that could improve the products viability. The opportunity to inject and withdraw gas is very much dependent on gas price volatility and therefore a meaningful trial period is required. However, it should be pointed out that the product is by no means proven and may not turn out to be commercially viable.

Recognising the potential benefits from injecting gas into the NW pipeline when prices are lower and withdrawing it, when prices are higher, firmus energy believes that this service could offer Northern Ireland Shippers a flexible gas purchasing tool, should the trial be successful.

In developing the trial, a robust set of business rules have been produced.

These include, but are not limited to:

- ensuring permission is sought from the Transporter, prior to injecting into or withdrawing out of the NW Pipeline
- agreeing firm capacity nominations take priority over Inventory Product nominations
- reviewing NWP capacities on an ongoing basis

- having procedures in place to avoid impacting on third parties

firmus energy considers it essential for the current trial to continue uninterrupted.

We fervently believe that this needs to be a “seamless” process to take account of pre- and post-streamlining operations as we feel that any delay could ultimately impact on longer term Inventory opportunities in NI.

We would therefore welcome the opportunity to consider this with the wider gas industry, should Ofreg feel this to be appropriate.

I would also be grateful if you could keep me advised of developments.

Yours sincerely

Michael

Michael Scott
Regulatory Affairs Manager