

# Table 1: Consultation Responses

## Potential for Extending the Natural Gas Network in Northern Ireland

### FOR PUBLICATION

Consultation Responses (including general responses and responses to corresponding consultation paper paragraph)	Organisation responding	Comments from respondents
<b>General Comments</b>	CBI NI	<p>CBI Northern Ireland welcomes the opportunity to comment on the DETI Consultation on the potential for extending the natural gas network in Northern Ireland. The importance of energy competitiveness is central to our membership base and key to ensuring the future success of the Northern Ireland economy.</p> <p>Northern Ireland must have a balanced energy mix to provide security of supply, help cut carbon emissions, and maintain competitive prices for both consumers and businesses.</p> <p>The CBI is strongly supportive of extending the gas network but believe the proposed 14.7% increase in transmission costs is too much for all other consumer to bear, and hence government support/subsidy will be necessary.</p> <p>CBI members believe the proposals to extend the gas network should be prioritised and/or phased, with the Mid-Ulster area including the three towns of Dungannon, Cookstown and Magherafelt, identified as an immediate priority. The cost of providing the transmission network in this area is estimated at £25m, a third of the cost of the six towns.</p> <p>While extension beyond this area is desirable CBI members believe higher levels of government support will be required to make it viable in order to avoid putting an excessive burden on other consumers.</p>
	Phoenix Energy Holdings Ltd	<p>Given the strategic need to deliver an energy infrastructure funded by private investment and capable of meeting the enterprise demands of a growing Northern Ireland, it is our opinion that this is the most important consultation to be issued by the Department since the introduction of natural gas to Northern Ireland back in 1996.</p>

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<b>General Comments</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>Failure to secure a 'road map' for investors and to provide the economic, political and regulatory conditions to expand upon the progress that natural gas has already made, could well see the social, environmental and enterprise fundamentals already delivered in the Greater Belfast area, and to a lesser extent in the North West and North South corridors, limited to a relatively low proportion of the population of Northern Ireland when compared to other parts of Europe. This would effectively limit the potential for economic prosperity, which natural gas can provide, from specific parts of the province and serve to concentrate development in specific areas as a result.</p> <p>It must also be understood that this economic opportunity can be delivered beyond existing licensed areas, as it has been in Greater Belfast, without the reliance of local or Westminster public expenditure, unlike many of the current infrastructure projects currently being progressed. In many respects in some areas the underlying decisions required to expand natural gas are political rather than regulatory or economic. We believe it is within the gift of the Department to create the environment in which natural gas can expand as well as deciding the extent of such development. It is also our belief that it is then for the Department to create an environment that attracts investors who have the track record and investment required to make the delivery of natural gas to as many homes and business as possible a reality.</p> <p>Furthermore, it must also be accepted that the strategic licence model to expand natural gas to areas in the North West and North South has, in respect of making natural gas as widely available as possible, failed to deliver the benefits of natural gas in the same way as those in Greater Belfast have enjoyed. This is a point of strategic importance which needs to be agreed upfront so that the same mistakes are not repeated with further natural gas expansion throughout Northern Ireland. If these fundamental points are ignored or not dealt with properly upfront then significant costs in extending the</p>

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<b>General Comments</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>network may be incurred without providing the benefits to as large a number of potential users as should have been the case. To this end the idea of creating large geographic licensed areas with corresponding networks developed with none or little obligation to make natural gas available to both homes and businesses should be avoided as much as possible. The construction of networks and the regulatory and financial basis to build and run them should be on the basis of 'political' will and mechanisms adapted accordingly in advance to ensure this happens. Without this strategic energy vision natural gas expansion will fail at the first hurdle, independent regulatory economic consent, given the economic challenges faced in comparing taking natural gas to Belfast to places such as Cookstown.</p> <p>To this end the Department may wish to consider developing the principles and corresponding financial model to facilitate the expansion and funding of the natural gas network extension themselves.</p> <p><b>Natural Gas in Greater Belfast</b></p> <p>As has been outlined in the consultation document, natural gas has been available in the Phoenix licensed area since 1996 and at the end of 2010 c.280,000 properties have natural gas available to them, c.140,000 customers are already connected to the network which means that one half of the those properties that have access to natural gas have already made the decision to switch.</p> <p>In September 1996 a combined licence was granted to Phoenix which had as an integral condition a requirement for Phoenix to make natural gas available to 81% of the properties contained within the geographical licensed area. This meant that the vast majority of industry, businesses, private homes, public sector housing and new housing developments would be provided with the opportunity to make the switch to natural gas. Phoenix has not only delivered on, but has exceeded this target and has also been successful at extending its licensed area beyond the initial area to make natural gas available to Comber and to several large commercial premises in the adjacent areas.</p>

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<b>General Comments</b>	Phoenix Energy Holdings Ltd (cont'd)	Having delivered on this key objective Phoenix today continues to build new network and will make natural gas available to a further 9,000 properties in 2011. 140,000 customers have already made the switch and through Phoenix's market development programme a further 8,000 customers will make the switch to natural gas in 2011. Phoenix's business plans foresee this level of growth continuing for many years to come.
	Ulster Farmer's Union (UFU)	The UFU acknowledges that there are some advantages to the Northern Ireland economy for widening access to the natural gas network. However, it is clear that the main beneficiaries will be domestic and commercial properties in urban areas. There are parts of NI which will never be able to benefit from access to the natural gas network.
	Antrim Borough Council	Antrim Borough Council broadly welcomes Government's proposals to extend the natural gas network throughout Northern Ireland in a way that positively increases competition amongst suppliers, drives down costs to consumers and effectively reduces carbon emissions.
	Linergy Ltd	Plants similar to Linergy located in areas with the benefit of connection to the natural gas network have a direct advantage on energy costs of c. £1 million per annum. By extending the gas network in line with option d), there would be a twofold effect: firstly; restoring Linergy's competitive financial position and secondly; liberating tallow to produce green electricity and earn ROCs (Renewable Obligation Certificates). Thus the current disparity of fuel supply frustrates Linergy's ability to assist in the delivery of government renewable energy targets. The current partial availability can perversely give rise to increased transport distances to avail of lower gate fees/higher prices, if a current gas user chooses to use his cost advantage to attract raw material. Thus there will be the perverse environmental effect of higher CO2 output through increased haulage.
	Northern Ireland Environment Link (NIEL)	NIEL is supportive of the objectives of the Strategic Energy Framework and is particularly keen to see the development of indigenous renewable energy sources to improve Northern Ireland's energy security and as a counterbalance to the effects of peak oil and other financial drivers for increasing energy costs. Gas is a fossil fuel and therefore should be a minor portion of the future energy mix; however as the least polluting and one of the most efficient fuels it does have a role in the short to medium term.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Cookstown DC	<p>Cookstown DC welcomes the consultation presently being conducted by the Department of Enterprise, Trade and Investment on the potential for extending the natural gas network in Northern Ireland. This Council has long been involved in lobbying to bring 'Gas to the West' of Northern Ireland and back in 2004, along with the other Western Local Authorities commissioned Transition Management Consultants to conduct an independent 'Evaluation of the Economic Case &amp; Social and Economic Benefits' of such. The evaluation concluded that <i>"the total significance of the economic, developmental, social, environmental, and political equity arguments for bringing Natural Gas to all communities in the West of NI are completely persuasive..... and the economic analysis proves that Natural Gas access is economically viable for all parts of the West of NI market"</i>.</p> <p>More recently in 2009, Cookstown District Council again provided DETI and their partners Fingleton McAdam and DKM Economic Consultants, with a comprehensive socio-economic report providing strong evidence for a clear and viable case to extend the Natural Gas Network to the Cookstown District.</p> <p><b>Cookstown's Designation as the Sub-Regional Centre for the Mid-Ulster Region:</b> The significant development of Cookstown District has been duly acknowledged in the NI Draft Regional Development Strategy 2025, whereby Cookstown has been designated as the Sub-Regional Centre for Mid Ulster (covering Cookstown, Dungannon and Magherafelt). Cookstown is one of nine Sub-Regional Centres across Northern Ireland selected to perform this higher service centre role, having the greatest potential to achieve economic growth in terms of concentrated development of industrial, commercial, health, education and community services. Cookstown's designation reinforces it's identity as the 'Capital of Mid Ulster', a hub for enterprise, retail and tourism development.</p> <p><b>Eastern Distributor Route</b> – The Regional Strategic Transport Network Plan 2015 identifies the need for the provision of four 'Link Corridors' across NI's road network. One of these is the A29 Link Corridor from Coleraine to Newry (via, Cookstown, Dungannon and Armagh). This involves the construction of the new Eastern Distributor Route by-pass) diverting traffic around the north side of Cookstown.</p>

<p style="text-align: center;"><b>Consultation Responses</b></p> <p style="text-align: center;">(including general responses and responses to corresponding consultation paper paragraph)</p>	<p style="text-align: center;"><b>Organisation responding</b></p>	<p style="text-align: center;"><b>Comments from respondents</b></p>
<p><b>General Comments</b></p>	<p>Cookstown DC (cont'd)</p>	<p><b>Construction of the new Desertcreat College in Cookstown</b> will commence in 2012 with a 2 year build programme. This world-class College will accommodate integrated training provision for Police, Fire and Rescue and Prison Services on a 210 acre site at the edge of Cookstown on the A29. A project of this magnitude will bring with it a range of long term social and economic benefits to Cookstown, as the College will not only operate as the training headquarters for Northern Ireland's emergency services but will also act as a unique global exemplar.</p>
		<p><b>Private Sector Led Development</b> – There is evidence that the private sector continues to grow in the Cookstown District, an example of which is the development of a 54 acre business park at Kilcronagh Industrial Estate on the outskirts of Cookstown town.</p> <p><b>Further Proposed Developments</b> - Cookstown District Council is also in the bidding process to bring further investment and jobs to the area. As a local authority, we have bid to the Department of Agriculture and Rural Development (DARD) to lobby for the <b>Relocation of the New DARD Headquarters to Loughry Campus in Cookstown</b>. Furthermore, Council is also advocating Cookstown's principal role and status to act as the '<b>Centre for the New Mid Ulster Council in 2014</b>'.</p> <p>It is clearly evident that the Cookstown District has grown significantly over the last decade to achieve the accolade of becoming the <i>'third fastest growing district in Northern Ireland'</i>. Council plans to build on this strong position going forward and to do so will require an investment in the gas infrastructure to provide choice and competitive services to existing businesses, new investors, and residential users.</p> <p>In conclusion, Cookstown District Council would strongly contend that a robust economic case exists to extend the Natural Gas Network to Cookstown District. This will enable the area to maintain its competitive advantage and sustain the long-term economic progress and growth of Cookstown, as a key Sub-Regional Centre designated in the Draft NI Regional Development Strategy 2025.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Biomass Energy NI (BENI)	<p>BENI is an organisation funded by its members to promote biomass energy and the interest of biomass producers in Northern Ireland. Members include biomass suppliers who produce biomass from both forest timber and farm based energy crops in Northern Ireland. Their activities have a particular focus on –</p> <ul style="list-style-type: none"> <li>• Facilitating sustainable supply chains for biomass.</li> <li>• Providing benchmark performance indicators</li> <li>• Adopting and promote quality standards for wood chip.</li> </ul> <p>We therefore have deep personal and business commitments to the development of renewable energy as both a low carbon source of energy but also through the development of the green economy with its huge potential for sustainable economic development in rural areas.</p> <p>We find it extraordinary that over a matter of 3 days DETI is concluding consultation on two different and contradictory energy proposals – (a) to extend a gas pipeline and thus encourage the use of fossil fuels and (b) to incentivise the conversion from fossil fuels to renewable heat sources through eh RHI scheme.</p> <p>This is all the more anomalous when we look at what is happening in GB where incentives are being offered to convert from natural gas (amongst other fossil fuels) to renewables. This suggests to us that the gas pipeline extension is based on an outdated policy and will lead to wasted funding, since ultimately the need for GHG reduction will require the replacement of gas fuel with more carbon neutral energy sources.</p>

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<b>General Comments</b>	Biomass Energy NI (BENI) (Cont'd)	<p>The proposal also exacerbates the divergence of energy costs between rural and urban areas and has the potential to increase fuel poverty in areas outside the gas pipeline reach. The RHI benchmark price is oil fuel so even if the rural dweller avails of the RHI opportunities their energy costs will still be higher than the urban dweller on the gas pipeline. As such we are surprised that the proposal was not subject to critical scrutiny through the declared Executive policy of “Rural Proofing” such initiatives.</p> <p>Within the proposals are two scenarios for funding the £75 m required for the pipeline extension – one involves funding through increased gas transmission tariffs or ultimately the retail cost of gas, and the second through government subvention.</p> <p>The former will lead to increased electricity costs as the generators use a proportion of gas to drive generators. The net effect will be that the businesses and households off the gas network will be helping fund the fortunate few on the network, while increasing fuel poverty in remote areas.</p> <p>In the second option the use of government funding can not be justified in since any benefit would be transient – as outlined earlier, ultimately gas is a finite resource obtained from volatile markets and will be overtaken by the need to move to renewable technologies.</p> <p>The £75m pipeline extension is therefore in our view contrary to the requirements in section 14 (5) (c) of the Energy (NI) Order 2003 to “secure a diverse and viable long term energy supply”. The funds would be much better spent in supporting district heating networks in smaller towns to allow the best use to be made of sustainable biomass heating.</p>



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	The Green Party	<p>On balance, the Green Party does not believe that expanding the gas network in Northern Ireland is a sensible investment.</p> <p>Our reservations are based on the urgent need to redirect the country's investment away from fossil fuel and towards initiatives with the objective of lowering overall energy consumption and towards emission free renewable energy sources.</p> <p>The Green Party is conscious of the IPCC's scientific assessment which outlines the urgent need to reduce greenhouse gas emissions in order to avoid exceeding 450 parts per million (ppm) CO<sub>2</sub>e quota and surpassing the recommended 2°C average temperature warming. The challenge of meeting this target should not be underestimated by policy makers. According to 2011 estimates by the International Energy Agency, if global forecasts of the growth in the uptake of gas are realised the world will exceed this target 650 ppm CO<sub>2</sub>e resulting in a 3.5°C average temperature warming (2011).</p> <p>What's more, given NI's status as a developed country, we arguably have a duty to cut our emissions even further in order to 'make room' for the growth in the economies of developing countries which is required to lift people out of poverty. The Green Party therefore believes that government efforts should therefore be entirely focused on stimulating the development of clean, renewable and long-term energy sources. Our view is also consistent with that of the Stern Report (2006), which emphasised the economic benefits of making strong, early cuts to greenhouse gas emissions.</p>

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<b>General Comments</b>	The Green Party (cont'd)	<p>The Green Party is also aware of the impending problems which will be created by the onset of peak gas and peak oil and we are concerned that there does not appear to be any consideration in this consultation that fossil fuels are finite resources. Indeed, even if the discovery of shale gas prolongs the eventual peak in global gas production, there are now concerns in the US that accessing shale gas reserves is not as economically viable as the industry claims (Cohen, 2009). There are also serious concerns about the wider environmental impact of accessing shale gas reserves including its impact on water pollution and the greenhouse gas emissions, which are released during the extraction process (Lucas, 2011). The Green Party believes that the £95m investment which the Government proposes to allocate to extend the gas network should be redirected towards the inevitable long term renewable energy investment or to measures, such as energy efficiency improvements, which will help society reduce its overall energy consumption. We believe that it is unacceptable that the consultation recommends that consumers pay for this pipeline expansion at a time when all fossil fuel energy prices are rising and will continue to rise. If this project is undertaken, it is inevitable that society will at some point also have to pay again to meet the cost of a sustainable energy transformation</p> <p>The Green Party is concerned that under the Energy Order (NI) 2003, the Department of Enterprise Trade and Investment has a statutory duty to promote the development of the gas industry. We recommend that the Executive seek to have this legislation amended at Westminster, given that a statutory duty to increase the consumption of fossil fuels is incompatible with the more significant objective of reducing greenhouse gas emissions. At the heart of Green Party philosophy is the idea that society should be aiming to maximise wellbeing with the minimisation of consumption and the energy sector is no exception.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Dale Farm Ltd	<p>Our Dunmanbridge plant at Cookstown which manufactures cheddar cheese and spray dried milk and whey powders for external markets is one of the largest users of energy in Northern Ireland and currently consumes over 6 million litres of heavy fuel oil per annum. The factory is a critical operation for the entire NI dairy industry handling a large proportion of the local milk production (circa 400 million litres per year) especially in the summer.</p> <p>Currently the international competitiveness and viability of the Dunmanbridge plant is severely disadvantaged by its dependency on HFO (Heavy Fuel Oil) which currently results in additional energy costs of circa £1.75 million a year over gas. There is no availability of gas in the Cookstown area. This uncompetitive and unsustainable position puts at risk the long term future of the plant.</p> <p>At present Dale Farm is investing heavily in its NI operations (£39million over 4 years) including Dunmanbridge. The current unavailability of gas at Dunmanbridge is calling into question whether the company should close this plant and relocate its activities to the east of the province.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Dale Farm Ltd (cont'd)	<p>In conclusion we would stress the following:</p> <ul style="list-style-type: none"> <li>• We strongly welcome the extension of the gas network</li> <li>• Gas will substantially reduce N I's dependency on imported oil and coal.</li> <li>• An extension of gas to the west will improve the viability and competitiveness of many major manufacturers who currently rely on oil.</li> <li>• Gas will also help address fuel poverty in the west of the province.</li> <li>• Gas is a cheaper, cleaner and more efficient energy than oil.</li> <li>• We are well behind GB in that we need to move from oil to gas, the idea that we leapfrog gas and go straight to renewables ignores the huge cost involved and the fact that gas will be cheaper for the foreseeable future. As oil prices move up not only does gas but also so will biomass fuels etc.</li> <li>• With gas replacing oil we will go a long way to creating a balanced portfolio of energy sources, inclusive of renewables.</li> <li>• Renewables (Biomass, AD and wind) do not possess the capability, in the short or medium term to address the heat energy needs of large industrial users.</li> <li>• The capital cost to create the renewable capacity would dwarf many times over the cost of bringing gas to the west and that renewable energy will be more expensive than gas for the foreseeable future.</li> <li>• On biomass there will be a dependence on imported wood and other crops.</li> </ul>

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<b>General comments</b>	Dale Farm Ltd (cont'd)	<ul style="list-style-type: none"> <li>• Government should shoulder more of the cost of extending the pipeline to reduce the overall impact on other users.</li> <li>• An extension of the gas pipeline will have a long life and therefore the annual amortisation costs should be low if government provide some financial support to the capital cost. Ultimately if more gas is consumed other unit distribution charges will fall to partially compensate. Our gas industry is small and needs more critical mass to reduce its unit costs.</li> <li>• The extension of the gas pipeline is a key priority for competitiveness and jobs in NI.</li> </ul>
	Lakeland Dairies	<p>Lakeland Dairies is Ireland's second largest dairy co-operative. The co-operative processes milk from approximately two thousand farmers in the Republic of Ireland and Northern Ireland. The company has three main processing sites at Killeshandra and Bailieboro in the Republic of Ireland and at Newtownards in Northern Ireland. The company employs six hundred and fifty people on both sides of the border. The company is then a truly cross border company. It is owned and supplied by farmers, processes milk into a wide variety of globally exported products and creates sustainable employment on both sides of the border.</p> <p>All three of Lakeland Dairies' processing sites are intensive users of thermal energy and all participate in the EU Emissions Trading Scheme. We note the comment by Minister Foster that 'natural gas is the least polluting fossil fuel'. Lakeland Dairies takes its environmental commitments very seriously. The company has all of its manufacturing sites accredited to the International ISO 14001 Environmental Management Standard. The company's environmental policy requires the use of cleaner fuels where available.</p>

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<b>General Comments</b>	Lakeland Dairies (cont'd)	We appreciate that further work and discussion would be required to further this project, but at this consultation stage we wanted to make the Department aware of the opportunities that exist.
	BGE (UK)	<p>BGE (UK) is pleased to respond to this important consultation on the potential for extending the natural gas network in Northern Ireland. BGE (UK) is a long established TSO which has positively and proactively supported the development of gas infrastructure in Northern Ireland. Through its work it has gained considerable network construction, operation and maintenance experience in the Irish and Northern Irish markets as well as Great Britain. Our comments in response to the various consultation questions are based on this experience and outlined below.</p> <p>BGE (UK) believes that the willingness of infrastructure providers to invest in an extension to the NI gas network will be strongly influenced by the perceived fairness of the commercial return.</p> <p>A key consideration when deciding to invest in regulated assets is the need for regulatory certainty and the treatment of the assets in terms of cost recovery. If the Department's plans for further extending the NI gas market are to succeed, it will be essential to ensure that regulatory policy around infrastructure investments is consistent, equitable, and transparent. Access to finance in the current very tight capital markets will be made easier with appropriate regulated investment signals from the Regulator – this should include commitment to maintaining a stable investment policy consistent with the term of the investment.</p> <p>BGE (UK) is of the view that the consultation process would be enhanced by further clarity on the position of the Regulator in relation to the recent decision paper on “Assessment of Potential Financing Options for Utility Networks”, and the further paper “Network Price Controls: Proposals for a Cross-Utility Approach”. It is critical that transparent and consistent regulatory policy is in place to support investment decisions.</p>

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<b>General Comments</b>	BGE (UK) (cont'd)	BGE (UK) would be pleased to engage in further discussions with the Department on any aspect of this response paper.
	Consumer Council NI	<p>With the high level of fuel poverty and significant increases in the price of home heating oil, this consultation is an important one for the Northern Ireland consumer and the Northern Ireland Government. The decision on whether to extend the natural gas network is one that could provide benefits and also impose costs that will be felt by consumers for many years to come. The Consumer Council believes that policy makers must ensure that the consumer is placed at the heart of Northern Ireland's energy strategy.</p> <p>With fuel poverty levels in Northern Ireland at 44 per cent, many households are struggling to adequately heat their home, it is important that the Department looks to minimise the impact of fuel poverty on all households. Consideration should be given to the three main causes of fuel poverty; the cost of energy, the energy efficiency of homes and household income. In securing Northern Ireland's future energy needs, we believe that the Government will need to balance:</p> <ul style="list-style-type: none"> <li>• Affordability</li> <li>• Security of Supply. and ;</li> <li>• Sustainability</li> </ul> <p>The Consumer Council recognises the real benefits of gas to consumers in terms of costs, efficiency, ease of use, and the carbon emissions saved. For this reason the Consumer Council would wish to see use of the existing gas network maximised to its full potential, and in the absence of any viable alternative would like to see far more Northern Ireland households able to avail of the benefits of gas. This is increasingly important as Consumer Council research shows that the average natural gas bill in Northern Ireland is £1,0851 cheaper than the average cost of heating a home with home heating oil.</p>

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<b>General Comments</b>	Consumer Council NI (cont.)	<p>However, the Consumer Council recognises that the price of natural gas is volatile and has in the last year increased considerably although not as much as home heating oil. Therefore, the Consumer Council believes that the Government when examining the cost/benefits of extending the existing gas network, also needs to seek independent advice over what the cost of gas will be in 2020 against other fuel sources, and see if these costs will be socially acceptable, in terms of fuel poverty and general affordability.</p> <p>Furthermore, the Consumer Council recognises that renewable heat may present an alternative to natural gas in certain circumstances. This is recognised in DETI's Strategic Energy Framework 2010 and in the recent DETI consultation on the Renewable Heat Incentive (RHI), and should be explored alongside the extension of the natural gas network.</p> <p>The following are key points that must be taken into account by DETI when assessing the case for extending the natural gas network.</p> <ul style="list-style-type: none"> <li>• Extending the natural gas network must make a significant contribution to eradicating fuel poverty in Northern Ireland;</li> <li>• There must be an overall benefit to all consumers;</li> <li>• The costs must not unfairly fall to consumers alone;</li> <li>• Government must ensure that they get the best deal for the consumer from industry;</li> <li>• The Government must ensure that the project is financially sustainable;</li> </ul>



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<b>General Comments</b>	Consumer Council NI (cont.)	<ul style="list-style-type: none"> <li>• The cost of capital allowed for the project must accurately reflect the risks of a regulated market;</li> <li>• The role of Renewable Heating must be considered as an alternative to natural gas network</li> </ul> <p><u>Conclusion</u></p> <p>The Consumer Council believe that the key determinant on whether to extend the gas network is the contribution it would make to eradicating fuel poverty in Northern Ireland.</p> <p>We believe that as a competitor to oil, natural gas can provide significant savings to Northern Ireland consumers. Both extending the natural gas network and 'filling in the gaps' in the existing network will bring savings to a significant number of households and businesses. This will help reduce fuel poverty and help local businesses to be more competitive. In addition, natural gas can make a contribution to reducing the carbon emissions and improving energy efficiency in Northern Ireland.</p> <p>The Consumer Council believe that for the full benefits of natural gas to be realised, particularly in relation to eradicating fuel poverty, the network must aim to reach as many domestic households as possible. For this reason we would support the Business Model BM2.</p> <p>In order to ensure that sufficient domestic properties avail of the opportunity to convert to natural gas, it will be necessary for there to be financial incentives available. These incentives should in the first instance be targeted at fuel poor households.</p>

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<b>General Comments</b>	Consumer Council NI (cont.)	We note that the distribution element of the westward extension of the network provides a positive NVP and would effectively be self financing. Whilst the overall cost of the transmission produces a negative NVP. All possible avenues to finance the gap should be explored before turning to the consumer, including Government subsidy. Any additional cost to the consumer will only reduce the take up of the scheme and lessen the impact on fuel poverty and economic growth.
	NIHE	The Housing Executive welcomes the opportunity to respond to the consultation document. Prior to responding to the individual questions, the Housing Executive would ask DETI to note that, whilst natural gas is our preferred fuel where available, many NIHE dwellings in the areas in question have had oil heating installed in recent years. Therefore, as these oil boilers will not reach the end of their useful life for a number of years, conversion rates to gas for social housing may take a bit longer than anticipated.
	Western Development Commission (WDC)	<p>The WDC regards the provision of quality infrastructure as essential to sustaining and growing economic development in the Western Region. Thus, we have been actively engaged with issues relating to the provision of energy infrastructure and supply in the Western Region. As part of this we have had a particular focus on the development of natural gas infrastructure in our Region. We are also involved in stimulating the development of the renewable energy sector.</p> <p>Given that the questions in the consultation relate directly to the development of the natural gas network in Northern Ireland and WDC work is focused on the Republic of Ireland, rather than answering the questions in the consultation, this submission takes the form of a brief outline of WDC work on natural gas infrastructure and its most recent Policy Briefing on the benefits of natural gas infrastructure in the North West. The WDC believes that there are options for development of the natural gas network on both sides of the border and that exploration of the options for linking them, and funding possibilities which might be associated with them, could be important to decisions on the development of natural gas network in Northern Ireland.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Western Development Commission (WDC) (cont'd)	<p><b>Benefits of the development of natural gas infrastructure</b></p> <p>The WDC has undertaken extensive analysis of natural gas infrastructure issues and natural gas connection policy as they impact on the Western Region. This has included detailed examination of cost benefit analyses of proposed extensions to the natural gas infrastructure to Letterkenny and Donegal, and consideration of the benefits of natural gas and options for towns which do not qualify for connection under the natural gas connection policy as developed by Bord Gáis Éireann (BGÉ), and more recently Gaslink, and approved by the Commission for Energy Regulation (CER). We have also done short case studies of other countries where such investment in natural gas infrastructure has been made.</p> <p>The WDC has recently (September 2011) published a Policy Briefing <i>Why invest in gas? Benefits of natural gas infrastructure for the North West</i>. An outline of the key points of the Policy Briefing is provided below and a copy of the Policy Briefing is attached. <b>Of key relevance to this consultation is the suggestion that co-ordination with the Northern Ireland Executive on options for joint development and funding of natural gas infrastructure in the North West must be explored.</b></p> <p>Significant parts of the North West of the Republic of Ireland have no natural gas infrastructure. Industries and businesses in areas without natural gas face higher energy costs, have fewer choices of fuel and higher carbon emissions. They also pay more in carbon charges. Lack of gas infrastructure may become a disincentive to investment in businesses and reduce a region's competitiveness.</p> <p>The WDC Policy Briefing called for a commitment from the Irish government to invest in natural gas infrastructure in the North West, when funds become available, and an immediate investigation of alternative funding options to ensure that such investment can be made as soon as possible. The WDC believes that public investment in natural gas infrastructure will bring both regional and national benefits, as has been the experience in other countries where such investments have been made.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Western Development Commission (WDC) (cont'd)	<p>The WDC Policy Briefing focuses on the North West and in particular on the need for natural gas infrastructure in eleven towns in counties Donegal, Sligo, Leitrim and Roscommon. The economic and other benefits of investing in natural gas infrastructure are estimated in the Briefing (details of the calculations are available at <a href="http://www.wdc.ie/publications/reports-and-papers/reports-2011/">http://www.wdc.ie/publications/reports-and-papers/reports-2011/</a>).</p> <p><b>Estimated benefits of access to natural gas for users in 11 towns in the North West</b></p> <ul style="list-style-type: none"> <li>• Fuel cost savings for industrial and commercial users annually - €16.2m</li> <li>• Fuel cost savings for new domestic connections annually - €4.4m</li> <li>• Savings in carbon charges for users annually - €0.5m</li> <li>• CO<sub>2</sub> equivalent emissions saved annually (tonnes) - 60,871 t</li> <li>• Value of CO<sub>2</sub> emissions saved annually (at €15/t) - €0.9m</li> </ul> <p>The WDC Policy Briefing also outlines what needs to be done in relation to developing natural gas infrastructure.</p> <ul style="list-style-type: none"> <li>• There should be a clear commitment by the Irish government to investing in natural gas infrastructure in the North West.</li> <li>• A variety of options for funding natural gas infrastructure should be investigated. These include examining the options of the development of further cross border gas infrastructure which could benefit towns throughout the North West of the island of Ireland. The options for cross border funding, including Interreg, should also be examined.</li> <li>• The possibility of using a portion of the Bord Gáis Éireann (BGÉ) dividends, or a portion of any profit from any sell-off of that company, for such investment should also be examined.</li> </ul>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>General Comments</b>	Western Development Commission (WDC) (cont'd)	<p><b>Conclusion</b></p> <p>This consultation presents an opportunity to highlight the importance of further development of the natural gas network in the North West. The WDC believes that development of the network in Northern Ireland could be linked, across the border, to the development of natural gas infrastructure in the North West of the Republic of Ireland.</p> <p>The WDC therefore, as part of this submission, calls for an examination of the options for linking the development of the natural gas network throughout the North West of both Northern Ireland and the Republic of Ireland. We believe that exploration of the options, and funding possibilities which might be associated with them could be important to decisions on the development of natural gas network in Northern Ireland.</p> <p>The WDC hopes that this will be useful in highlighting the work done by the WDC on this issue in the Republic of Ireland and in raising the possibility of cross border opportunities for the natural gas network.</p>
	South Eastern Health & Social Care Trust	Fully endorses the proposals in the consultation document pending clarification on duration of province wide gas unit increase and if this increase would be temporary. Clarification on how the market supply changes (costs) in future contracts will affect absorption of the new infrastructure costs would also be beneficial.
	Dungannon & South Tyrone BC	Welcome proposals that will seek to provide a greater gas network across NI and to the Dungannon area. Dungannon and South Tyrone has been lobbying for greater investment in gas infrastructure to the West of the Region and the Borough to further support balanced regional growth, a copy of a specialist Gas to the West report was developed and can be made available upon request.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<p>Part 2 - Overview of current gas network development and existing licenced areas, 10 town/cities licenced area, connections to the natural gas network, overview of current market share of each fuel type, remaining areas to be developed, potential network extension, compatibility with renewable heat policy</p> <p>Question (a):</p> <p><b>Do respondents agree that the areas outlined above, i.e. key towns to the West and North West of Northern Ireland and in East Down represent the key remaining areas in which the natural gas network in Northern Ireland might feasibly be developed? If not what further areas might be considered?</b></p>	<p>Phoenix Energy Holdings Ltd</p>	<p>The consultation document has identified two main development areas for network extensions:</p> <ul style="list-style-type: none"> <li>• The key towns to the West and North West of Northern Ireland; and</li> <li>• Towns in East Down adjacent to the current Phoenix licensed area.</li> </ul> <p>In addition, the document also refers to the potential to connect Whitehead and Hillsborough which are also adjacent to the current Phoenix licensed area.</p>

<b>Consultation Responses</b> <b>(including general responses and responses to corresponding consultation paper paragraph)</b>	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (a)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>Phoenix would agree that these areas (mentioned in the consultation doc) provide opportunities for natural gas network extensions but would also point out that there are other towns that may also provide the right opportunities for rolling out the natural gas network. When the licence was issued to firmus, the licence was split into two main geographical lists. The first list detailed all the towns and areas that firmus had the automatic right to develop. The second list was towns and areas that firmus had the right to first refusal. There was an important condition attached to the second list which stated that firmus had 5 years from being issued the licence to bring forward development plans for these areas, after which firmus would not have first refusal and the towns and areas would be available for any party to consider. It is Phoenix understanding that as the 5 years has now lapsed, these areas within the second list can now be considered by any party. Similar to East Down, Whitehead and Hillsborough, these 'List 2' towns and areas will not require transmission pipeline and therefore any potential extensions should be considered in the same way that extensions to Whitehead, Hillsborough and East Down will be considered.</p>
	Linergy Ltd	<p>We are aware of the £1million spur completed by BGE at Portadown, and feel that this makes the extension of the South-North gas transmission the most immediately relevant. Based on the findings of the feasibility study, it appears apparent that extending the network to in line with option d) Portadown-Dungannon-Omagh is the most logical. According to BM1, connecting these two towns would facilitate connection of 47% of the total assumed GWh from all six towns. The net benefits of extending the network further are substantially reduced as population centres are much smaller. The cost benefit for these centres could still be reassessed at a later date and delaying the decision does not compromise the project as it stands.</p>
	Ulster Farmer's Union (UFU)	<p>The UFU is the principle representative of members based in rural locations. In an ideal world we would wish to see the gas network being extended to these outlying areas. But this will not happen. We accept the limited financial scope for extending the gas network to rural areas, and furthermore to single dwellings in the countryside (farmhouses) but this emphasises the need for a renewable alternative.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (a)</b> <b>(cont'd)</b>	Moyle District Council	<p>Moyle District Council has considered the consultation document on the potential for extending the natural gas network in Northern Ireland and would like to highlight the fact that the Moyle District area has not been considered for inclusion in the list of areas to further develop the gas network, nor did they feature in the original feasibility study carried out by the Department of Enterprise Trade and Investment (DETI) in conjunction with the Utility Regulator.</p> <p>It is on this basis that the Council wish to respond to the consultation, requesting that if DETI undertake any studies in the future on the provision of alternative energy sources that the Moyle District Council area is included in the study.</p>
	Biomass Energy NI (BENI)	We do not consider the extension of the pipeline is economically or socially justified.
	Dale Farm Ltd	<p>It is critical for industry that the NI gas network is extended to the Cookstown and Dungannon area due to the concentration of large manufacturers in this region. At present companies in this region are dependent on oil as a primary fuel which is much more expensive than gas.</p> <p>Gas is also a more efficient and cleaner fuel. Extending the gas pipeline to this area would not only reduce energy input costs and thus protect employment and economic activity but would also reduce flue gas emissions and overall carbon consumption. Currently the Dale Farm Dunmanbridge plant is severely disadvantaged by a dependency on HFO (Heavy Fuel Oil) over gas to the level of circa £1.75 million a year.</p>
	The Green Party	The Green Party disagrees with the principle of expanding the gas network for the reasons outlined above [in <b>General Comments</b> ].



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (a)</b> <b>(cont'd)</b>	firmus energy	<p>The roll out of natural gas to these towns would bring significant regional and economic benefits, the most important being the savings in fuel cost for businesses and households. firmus energy agrees the regions outlined in the paper represent feasible areas for development of the natural gas network. Based on the information presented it seems the most appropriate option would be to bundle these towns into two main categories:</p> <ul style="list-style-type: none"> <li>• The West and North West Towns</li> <li>• The East Down Towns</li> </ul>
	CBI (NI)	<p>CBI members assert that the guiding principles outlined in the Strategic Energy Framework should remain that “the extension of the gas network can only take place where it is economically viable to do so and where it is not economically viable, the Department will seek to maximise other alternatives, such as renewable heat or biomass. (SEF)</p> <p>CBI remains strongly supportive of extending the gas network, as it will provide more consumers with the opportunity to switch to gas, which is a cleaner fossil fuel and will be more cost effective for energy intensive users.</p> <p>The areas outlined in the consultation document appear to be the most feasible, albeit we believe it will be necessary for government support/subsidy in the more remote areas, as the costs of postalisation will put too large a burden on existing customers.</p> <p>CBI members strongly support the extension of the gas network into Mid-Ulster covering Dungannon, Cookstown and Magherafelt which has a strong base of food and manufacturing companies. This is the logical next step in the extension of the gas network, and delivers over 40-45% of the benefits at less than one third of the cost of the overall gas extension proposed in the consultation document.</p> <p>In regard to the Transmission element all of the corridors generate negative NPVs. We also note that an additional cost of £10 million would be required to take gas to Derrylin, which would place in doubt the “economic viability” for consumers to cross-subsidy the gas connection.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (a)</b> <b>(cont'd)</b>	CBI NI (cont'd)	<p>Members strongly believe that government should assist in reducing this impact to consumers through a government subvention to ensure that gas is available to these areas.</p> <p>CBI members accept there is a rationale and need for some cross-subsidy, but the proposed 14.7% increase in transmission costs is too high a price to pay. Members have indicated that a 5% increase would be more acceptable, with government providing any additional support.</p>
	BGE (UK)	BGE (UK) agree that the areas outlined in the consultation represent key remaining areas in which the natural gas network in Northern Ireland might feasibly be developed.
	NIHE	Yes
	South Eastern Health & Social Care Trust	Agrees that the remaining areas it would encourage for development are those conurbations noted in East Down (Downpatrick, Saintfield, Crossgar etc).
	Dungannon & South Tyrone BC	<p>Council would give complete support to the proposal within the consultation in relation to further development of the gas provision network in Dungannon. We welcome the BGE in relation to the gas transmission pipeline at the Kernan above-ground installation near Portadown in County Armagh which was sized to accommodate a potential future network to take natural gas to Dungannon.</p> <p>Energy infrastructure development is a major issue for the Dungannon area as it is located on the strategic economic corridor and continues to be a major growth area for the region. The return on investment to gas provision to Dungannon would be substantially high. There is a high level of industrial and economical development current and planned at 2.9% in the next 10 year period, highest predicted outside of the BMA area source:Oxford Economics Employment growth, NI district Councils 2012-2022. Further the level of population growth has over the last 10 years been substantially greater than the NI average at approx 2% and this was similar for 2011-2012 and is predicted to continue.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2</b>  <b>Question (b)</b>  <b>What criteria should be set in order to determine which towns are connected?</b>	Cookstown DC	In terms of how the proposed gas extension is delivered on the ground, it is essential that the nine key towns designated as sub-regional centres in the Draft NI Regional Development Strategy 2025, are considered a priority for the rollout of natural gas, as these have been clearly identified within the Strategy as having the “greatest potential to achieve economic growth in terms of concentrated development of industrial, commercial, health, education and community services”. Cookstown is indeed one of these towns and is designated the sub-regional centre for Mid-Ulster.
	Lakeland Dairies Ltd	We welcome greatly the move by the Department of Enterprise, Trade and Investment in Northern Ireland to make natural gas more available to businesses in Fermanagh and would like to highlight the potential for our site in Killeshandra, Co Cavan to be supplied by an extension of the proposed Derrylin gas main. The Killeshandra site currently uses Heavy Fuel Oil and is only ten miles from Derrylin.
	Dale Farm Ltd	The extension should be prioritised on the economic benefit.
	firmus energy	In determining which towns should be connected and when, we believe this should be largely based on the highest potential gas load for that area/town.
	CBI NI	Members strongly suggest that the following criteria are considered when assessing the economic viability of towns to connect to the gas network: <ul style="list-style-type: none"> <li>• The commitment from public sector users to connect to the gas network to provide surety to a proportion of anticipated load. More must be done to guarantee the commitment of the public sector estate across the potential towns.</li> <li>• The likely level of commitment from anchor loads in the industrial sector.</li> <li>• Amount of cross-subsidy required to connect these towns and ultimate cost implication to present/future gas customers and impact on electricity consumers. The suggested 14.7% increase in transmission costs is considered too high a price to be paid by other consumers and therefore a subsidy will be required from government.</li> </ul>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (b)</b> <b>(cont'd)</b>	CBI NI (cont'd)	<ul style="list-style-type: none"> <li>• The level of Government subvention – we believe that government should contribute to the extension of the gas network. The extension of the gas network will inject competition in towns whereby the only fuel source available is oil. The availability of gas in these towns will allow both consumers and businesses to switch to gas which is a cleaner fossil fuel.</li> <li>•</li> </ul>
	BGE (UK)	The key criteria to be set in order to determine which towns are connected should be that the present values of transportation revenues exceed the present value of capital costs of construction of the connection to the town. BGE (UK) also believes that consideration should be given to allowing towns to be economically appraised as part of a regional group. This would allow the possibility that towns that would not be economically viable on a standalone basis, might become viable when considered as part of the regional group. Recognising, as the DETI Strategic Energy Framework does, the environmental and economic contribution natural gas has made and continues to make in Northern Ireland, BGE (UK) believes there is merit in considering inclusion of the wider environmental and competitiveness benefits in the economic appraisal of connection of towns to the network.
	NIHE	<ul style="list-style-type: none"> <li>• Potential demand available</li> <li>• Cost of delivery</li> </ul>
	The Green Party	No comment.
	South Eastern Health & Social Care Trust	Criteria should be based upon registered levels of interest and likely gas consumption base load.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2</b>  <b>Question (c)</b>  <b>How might other energy technologies, such as renewable heat, impact upon the potential extension of the natural gas network?</b>	Phoenix Energy Holdings Ltd	<p>Energy policy within Northern Ireland must be comprehensive and joined up. Delivering natural gas to new areas is going to be very challenging and therefore it is important that nothing within that energy policy makes that challenge even harder. It is clear that natural gas should be made available to areas where it is economic to do so. It is also clear that other forms of energy such as renewables should not be 'supported' or incentivised in such a way as to damage the take up of natural gas where it is available. Simply natural gas should be rolled out to where it is economic to do so and renewables should be the environmental solution where natural gas is not available.</p>
	Linergy Ltd	<p>It is questionable whether the extension of the gas network should have any bearing on the Renewable Heat Incentive. The two can coexist, and in fact, the hitherto slow delivery of gas infrastructure to NI, does not represent a reason to withhold some or all of the RHI – again, the business community relishes choice and requires incentives to develop renewable energy as return on investment is often poor without such incentive. It is not the role of government to subvert the development of renewable energy to enhance fossil fuel uptake, but it is the role of government to level the playing field for commerce, therefore, the RHI and Gas Infrastructure extension should be able to proceed in tandem.</p>
	Consumer Council NI	<p>The Consumer Council recognises that the further roll-out of the natural gas network and the maximisation of the current network has considerable environmental benefits, being the least polluting fossil fuel, and can contribute to a lower carbon energy strategy for Northern Ireland.</p> <p>However, the Consumer Council recognises that Renewable Heat offers an alternative to natural gas that provides a more complete contribution to a low carbon energy strategy and that DETI is currently consulting on a Renewable Heat Incentive Scheme (RHI).</p> <p>The Consumer Council believe that it is essential that energy policy must be coherent and different strands must dovetail. Renewable Heat and natural gas both offer benefits to consumers and each can contribute to the DETI Strategic Energy Framework.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	Consumer Council NI (cont'd)	<p>However, the development of each should be planned to deliver mutual success for each project and to provide the most efficient outcome for Northern Ireland consumers. The worst case scenario would see a gas network developed that becomes a stranded asset that is economically unsustainable for either consumers or investors.</p> <p>Many rural areas of Northern Ireland are unlikely ever to be connected to the gas network and receive the potential cost benefits associated with it. Typically, rural incomes are lower than urban incomes and many costs are higher. It is such rural areas that may benefit the most from a Renewable Heat Incentive.</p> <p>In contrast, a number of urban areas already have a gas network or have the potential to reach many customers by having one developed. In Belfast half of the households to which natural gas is available are connected whilst in the firmus licence area 26 per cent are connected. According to the DETI Renewable Heat Incentive consultation urban areas, particularly Belfast, provide the best opportunity to develop Renewable Heat, However reinforcing the existing gas network and maximising the take up of gas in these areas, would provide a more economical solution to eradicating fuel poverty and reducing carbon emissions.</p>
	Ulster Farmer's Union (UFU)	<p>It has been accepted that many outlying rural areas, such is their remoteness, will never be able to avail of the natural gas network. Such areas contribute to the escalating levels of fuel poverty here in Northern Ireland. Alternative energy technologies, such as renewable heat would be a viable alternative to such remote rural areas, with benefits to either individual locations or via district heating arrangements. As far rural industrial users are concerned, the UFU have been informed that those representing food processing companies are hoping to invest in Renewable solutions such as Anaerobic Digestion, which is an example of what is seen as a viable alternative to natural gas.</p> <p>Northern Ireland has the highest level of fuel poverty in the UK, further exasperated by the rural dominance of our region. Some of the highest levels of fuel poverty is in rural areas as a result of their location. Local heating costs are already more expensive than in GB. There are rural areas of Northern Ireland which will never have access to natural gas network.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	Ulster Farmer's Union (UFU) (cont'd)	<p>These figures (i.e. % of households in fuel poverty – NI 34%, Scotland 22.5%, Wales 21% &amp; England 12%) are from 2006, and a lot has changed since then; rapidly rising fuel prices and global recession which means that this figure will be higher still. Cookstown, Larne and Strabane having &gt;40% of their population in fuel poverty. It should be noted that Larne was one of the first areas in NI to have access to natural gas so this contradicts the belief that natural gas may be a step to relieving fuel poverty.</p> <p>Northern Ireland has a reliance upon kerosene and LPG, further exasperating the reliance upon more expensive fuels. Even before this is taken into consideration, our fuel costs are more expensive than in GB. Despite rolling out of the natural gas network, these more expensive fuels will still be demanded in rural areas with no access to natural gas. Those who advocate a switching to natural gas say that this will go way to addressing local fuel poverty and making energy prices more affordable. However, the consultation states that extra costs may be incurred in developing the gas network, both by gas and electricity customers. In addition, the very fuels which are relied upon in rural areas such as kerosene will not be cheaper. This adds to the urgency for renewable alternatives to be available in these areas who have no access to the gas network.</p> <p>The rural nature of Northern Ireland will have a bearing on our response to this consultation. In 2001, the Local Government District (LGD) definition showed that the rural population in Northern Ireland is 62 percent of the total. Of this percentage, 30% are deemed “accessible rural” and 32 per cent are “less accessible rural”.</p> <p>The UFU believes that the gas network is being extended at the detriment of the development of the renewable energy sector in Northern Ireland. This will be set out in our response to the Renewable Heat Incentive consultation which will be submitted on 3 October 2011 as well, but the two consultations are intertwined. North Sea gas was first brought onshore into GB in 1967 and a distribution network was brought in thereafter. This was 44 years ago and yet Northern Ireland is still pressing ahead with rolling this out despite being a fossil fuel, which we are meant to be moving away from. So, to re-cap, we are moving towards a fossil fuel which GB are moving away from.</p> <p>In 2010, Action Renewables and Element Energy, conducted a study on behalf of EST. The study concluded that the carbon savings associated with extending the gas network to the west are not justified.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	Ulster Farmer's Union (UFU) (cont'd)	<p>The report compared the extension costs against the costs of other carbon saving projects. The report indicated that extending the gas network would be an inefficient and expensive project. Again, we will repeat our view that a proportion of this money could be directed towards renewable heat.</p> <p>The UFU does recognise that the extension of the gas network could possibly facilitate biogas generated from renewable sources. However, they are significant barriers which would need to be overcome for this to be viable.</p> <p>In its current form, the rolling out of the gas network is being extended at the detriment of the Renewable Heat sector. The gas network is being rolled out and there is no indication as to the actual cost and who is going to pay for it. Whilst Renewable Heat is a viable alternative for those who cannot avail of natural gas and there is being no viable support made available by the NI Executive.</p>



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	Northern Ireland Environment Link	<p>As gas is a preferred fuel to coal or oil, there may be potential to develop the network where there is an available supply and therefore focus on incentivising connections in the area to maximise the full potential of the existing infrastructure as a priority; however, this must be feasible and fit with an overall framework to facilitate renewable energy development and supporting grid infrastructure. Natural gas does remain a polluting non-renewable fuel and although cleaner than coal or oil it is not a long term sustainable energy source to build an extensive infrastructure network around.</p> <p>Any extension to the existing network should be minimal and have a clear evidence-based rationale, which has not been demonstrated fully in the consultation report.</p> <p>This policy is also somewhat contradictory to DETI's ongoing consultation on the Renewable Heat Incentive as in promoting renewables the department is not giving a clear indication of its policy priorities – and reiterates the need for integrated energy policy guidance. Research carried out in the west of Ireland has shown that that extension of the gas network is not an effective measure to reduce greenhouse gas emissions and we hope that the department will consider this before advancing the current proposals. If possible the gas network should allow for integration with future renewable production.</p>
	Biomass Energy NI (BENI)	<p>The long term strategic view should be taken and rather than extending the gas pipeline, renewable technologies should be given priority and encouraged – by for example supporting district heating infrastructure development.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	Dale Farm Ltd	<p>Northern Ireland has a much larger dependency on oil and coal than the rest of the UK because of the unavailability of gas. Whilst it will be possible to increase the use of renewable energy it will not be possible to eliminate the current dependency on oil and coal by the provision of renewable sources. Gas can play an important role in reducing the current dependency on coal and oil.</p> <p>Going forward gas has a key role to play in meeting the province's energy requirements alongside renewables. The capital investment needed to expand the supply of energy from renewable sources would be significantly higher than the cost of extending the gas network. The cost of prime heat from renewables is also higher than from gas and therefore extending the gas network offers better value for money and for the processing industry, gas will remain the fuel of choice for heat energy. For industrial users the immediate priority is to access gas.</p>
	The Green Party	<p>As we have outlined, the Green Party has concerns not about how expansion of the gas network would be impacted by other energy technologies, but about how the expansion in the uptake of gas will negatively impact on the uptake of renewable energy and also negatively impact on the development of a sustainable economic model. Investing £95m of society's resources into a project which is unsustainable in the long term will prolong our reliance on unsustainable fossil fuel sources, decrease our energy security and make it more difficult to ensure that the IPCC's recommended global 450 ppm CO2e greenhouse gas quota is not exceeded. Indeed, the Green Party questions the rationality of the Executive's proposal particularly because there are now incentives in place to encourage gas customers to switch to renewable energy in other locations such as England.</p>
	firmus energy	firmus energy is encouraged by initiatives such as renewable heat incentives. We believe they are most suited to rural areas where natural gas will not be available in the future.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	CBI	<p>Many large energy users are already exploring renewable technologies such as renewable heat and Anaerobic Digestion (AD). In the medium and longer term these energy intensive users will require the choice of a wider energy mix including natural gas and renewable technologies to drive down energy costs and relinquish their dependency on oil.</p> <p>Members raised concerns that NI plants remain the highest amongst global operations with regards to energy costs and thus there is immense pressure to reduce energy costs to remain competitive. Businesses need the flexibility to exploit technologies that are the most cost effective and appropriate for their operations whether that is natural gas or renewable technologies. We must ensure that we do not protect one sector of the energy field at the expense of another, and in particular at the expense of businesses which have to remain competitive. The ultimate goal must to develop a diverse and secure energy supply that is competitive for all businesses and embraces the development of both natural gas and renewable technologies.</p>
	BGE (UK)	<p>BGE (UK) believes there are many complementary considerations between the potential extension of the natural gas network and the deployment and incentivisation of renewable heat technologies. Biomethane grid injection is to be encouraged in areas of gas network presence, to introduce renewable gas to the network and enhance the environmental benefits of gas. In order to mitigate the impact of renewable heat deployment on the economic viability of gas network extensions, biomass and solar thermal incentives could be available in areas removed from the existing gas network or proposed network extensions. This will ensure that these technologies displace the higher carbon emitting fuels rather than the cleanest and most cost effective thermal fuel, natural gas.</p>
	NIHE	<p>It depends on what incentives are available for renewable heat technologies. Undoubtedly some consumers may choose to opt for renewable heat options but at present we do not think this would be on a large enough scale to significantly affect the roll-out of an extended gas network. However, a future renewable heat incentive which is financially attractive for householders could change this situation.</p>

<b>Consultation Responses</b> <b>(including general responses and responses to corresponding consultation paper paragraph)</b>	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 2 Question (c)</b> <b>(cont'd)</b>	South Eastern Health & Social Care Trust	If the RHI is adopted within Northern Ireland, other technologies (such as ground or exhaust air heat pumps) whereby heat is derived from a renewable process will have a pay in tariff associated with them. This will make gas less attractive HOWEVER the heat source (exhaust air) under law of entropy must burn a fuel with a cost from somewhere. Gas being preferred to oil will provide a more efficient basis for this process. The RHI will not have an overarching impact on the gas pipeline.
<b>Part 3 – Natural gas network extension study, financing/funding options, extending the natural gas network to other areas, non-monetary benefits of natural gas</b>  <b>Question (a)</b>  <b>Do respondents agree that the gas load estimates in Figure 2 for the town assessed within the study seem realistic?</b>	Phoenix Energy Holdings Ltd	Phoenix cannot comment on the load assumptions used within the feasibility studies as we have not been involved in surveying or undertaking any of the detailed reviews and analysis of the loads available within the potential new areas. Phoenix believes that the uptake rates used within the BM2 model are based on those used by Phoenix in its business model for its current licensed area.
	CBI NI	Estimated Annual Consumption includes new build assumptions for each town which were derived based on a review of historical housing building levels from 2004/5 – 2009/10. Given the current state of the property market these figures would need to be reviewed to reflect a more accurate and up-to-date picture.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (a)</b> (cont'd)	BGE (UK)	BGE (UK) has no independent data from which to confirm the accuracy of the gas loads estimated in the feasibility study. As a general comment on the feasibility study, BGE (UK) notes that a number of technical assumptions are made with regard to Inlet Pressure on the Transmission system. The proposed design should take account of technical considerations associated with the existing network. BGE (UK) would be happy to engage in further discussions with the Department on this topic.
	NIHE	The Housing Executive could only comment on gas load estimates for the domestic sector. As the figures in the report also include gas load estimates for the industrial and commercial sectors the Housing Executive would not be in a position to comment on them.
	The Green Party	No comment.
<b>Part 3</b> <b>Question (b)</b> Do the assumptions made in the study, as outlined in Annex 1, e.g. in relation to potential uptake rates, broadly reflect industry experience?	Dale Farm Ltd	We can confirm that under current production volumes our Therm demand would be circa 2.6 million.
	firmus energy	firmus energy believes the figures which appeared in the feasibility study seem reasonable based on experience of customer numbers and loads when firmus developed the existing 10 towns network.
	BGE(UK)	For the New towns study in RoI, BGE has previously assumed uptake rates of 80% from Contract and Large customers over 3 years, 50% of Medium customers over 5 years and 25% of Small I&C customers over 7 years. We understand that a 40 year uptake period is being considered in the study analysis. Given the extended nature of the build out period, these uptake rates should be achievable subject to other constraint factors.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (b)</b> <b>(cont'd)</b>	NIHE	The Housing Executive could only comment on the assumptions made in relation to the domestic sector. The extremely low level of uptake assumed for the owner – occupied sector of 1.25% in Business Model 1 would, we feel, be too low.
	The Green Party	No comment
<b>Part 3</b> <b>Question (c)</b> <b>Are there alternative options for taking natural gas to the West and North West to those routes outlined in paragraph 3.2?</b>	Dale Farm Ltd	We would strongly recommend route B followed by route C.
	BGE (UK)	In the absence of a detailed study, BGE (UK) is not in a position to comment on the routing options. BGE (UK) believes it is critical for a successful project that the infrastructure developer has the necessary competencies across all the aspects of permitting, development & construction, financing, operations and maintenance. In the current marketplace, Planning, Environmental and Safety authorities expect a comprehensive focus on whole life considerations when evaluating any proposal of this scale.
	NIHE	No
	The Green Party	No comment

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (c)</b> <b>(cont'd)</b>	Northern Ireland Environment Link	<p>Collaboration between the North and South of Ireland is vital to provide an integrated approach to environmental matters. An all-island context should be incorporated in any guidance on energy development as a much more efficient system of infrastructure and distribution can be established. For example, the potential to extend the gas network from the south of Ireland may be a feasible option to border areas such as Derrylin that have high industrial and commercial demand and existing infrastructure could be utilised. There are many opportunities to develop an integrated energy framework across the island of Ireland to create greater efficiency and ensure the most cost-effective and reliable mix to maximise sustainable energy resources on both sides of the border.</p>
<b>Part 3</b> <b>Question (d)</b> <b>Do respondents consider that it would be both appropriate and viable to use cross-subsidies to finance network development?</b>	Phoenix Energy Holdings Ltd	<p>In order to roll out natural gas to such areas as East Down, the consultation points out that the network extension may not be self-financing and that some form of cross-subsidy or subvention may be required. Phoenix would make two comments on this point:</p> <p>The Utility Regulator's approach with regard to economic network extensions, which based on its definitions are negative, has been not to approve them on the basis that their principle objectives do not allow them to approve "uneconomic" extensions. It should be noted that the economic test being applied as far as Phoenix potential extensions are concerned assumes rolling such investment into the existing licensed area and thereby applying a similar distribution charge to that in existence in Greater Belfast at present. An extension project can be economic by either charging the higher required distribution charge specifically to that area or by spreading the impact of that higher distribution charge over all customers within the combined licensed area. It should therefore be recognised that Greater Belfast itself is a cross-section of areas, some of which will be less and some of which will be more economic than the average and therefore by constraining extensions in this way you are in effect by an accident of geography and where the Greater Belfast boundary was drawn, setting an artificial limit on the economics of such projects which actually is not necessarily consistent with Greater Belfast.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (d)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>The Utility Regulator has previously tried to make the projects economic by increasing the risk on the investor, which has failed to deliver a mutually acceptable position and as such the network extensions have not happened. The Department and the Utility Regulator would therefore need to work together to deliver a framework that enables the Utility Regulator to approve a network extension that on its own right is determined uneconomic, based on the Utility Regulator's current definition, but when aggregated into an existing licensed area, on acceptable investor terms, becomes economic.</p> <p>An existing Network Operator may accept to some extent sub-economic distribution network extensions being aggregated into its current licence if that Network Operator was the company given the licence extension to the sub economic areas, as in doing so that Network Operator would at least be in a position to balance one risk against another. It would also then be fully incentivised to mitigate against such risk in any such extension activity. "Delivering all distribution network developments is risky and that level of risk becomes unacceptable if the company bearing that risk does not have control of the licence needed to manage that risk.</p>
	Ulster Farmer's Union (UFU)	<p>Clarity is needed on what form the cross subsidy will take, namely how much will be provided by the Northern Ireland Executive in the extension of the gas network. The UFU would be concerned if this was to exceed what is being offered from the NI RHI, which is co-incidentally funded from London.</p> <p>The UFU would be unsure as to whether gas customers in NI would be able to afford, let alone accept a significant increase in the gas transmission tariff. Especially in light of current price increases being implemented by gas providers. The anticipated increase in retail bills is expected to be 1-5% by DETI calculations which is a large difference, with overall charges expected to be 14.7%, does this mean that a gap of 9.3%-13.7% will need to be found.</p> <p>In addition, the consultation does state that there will be implications for electricity bills further adding to the burden borne by already under pressure domestic customers.</p>



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (d)</b> <b>(cont'd)</b>	Biomass Energy NI (BENI)	No
	Dale Farm Ltd	We believe that while there should be some element of cross subsidy, government should support the investment in extending the gas network as a key infrastructure requirement to support a competitive local manufacturing sector and minimise the overall energy costs in Northern Ireland.
	The Green Party	The department's consultation provides no details on the extent to which cross subsidisation would push more people into the fuel poverty bracket, particularly if it also increased the cost of electricity. If the Government did make the decisions to expand the gas network, we believe that individuals in fuel poverty should be exempt from any consequential increases in their utility bills.
	Cookstown DC	As a Council we believe that some form of government sub-vention is required, rather than passing the entire costs on to end users. One must also remember that the Western Region itself, is one of the most deprived regions within Northern Ireland.
	CBI NI	CBI members believe that it is appropriate to use cross-subsidies to finance network development to a specified limit. Our initial consultation with members suggested this limit should be no more than an additional 5% on transmission costs. In areas where the costs of extending the network are considerably higher, and thus unviable, the government must consider providing a subsidy. However where it is decided is economically unviable to extend the network the department should consider offering an enhanced RHI incentive. This would allow a more diverse energy mix to evolve and would reduce our reliance on oil.
	BGE (UK)	It will be important to appraise the appropriate method of cost recovery for the extension i.e. government subsidy and/or an increase in the postalised tariff. It may be appropriate to provide direct government subvention for a portion of the required investment.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (d)</b> <b>(cont'd)</b>	NIHE	<p>In the absence of Government funding, yes, but appropriate and viable up to a point. Our support for this depends on what the increased prices would be. We would have liked to have seen estimates of what this would mean for average household bills before making a final decision. Fuel poor households are already struggling with bills as it is.</p> <p>Has DETI explored whether there is any EU funds available to help meet gas infrastructure costs?</p>
	South Eastern Health & Social Care Trust	<p>Yes but only until the cost of the new infrastructure is met at which time the % increase in unit cost should be revoked to a relative to previous level.</p>
	Consumer Council NI	<p>DETI must explore every avenue to fund the additional costs of this project before it decides to add additional costs to hard pressed consumers. Options to explore must include:</p> <ul style="list-style-type: none"> <li>• Government subsidy;</li> <li>• A mix of Government subsidy and cross subsidy from Northern Ireland natural gas customers;</li> <li>• European Union funding;</li> <li>• Joint funding arrangements with the Republic of Ireland Government who have a shared interest in developing a gas network in the northwest.</li> </ul>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (d)</b> <b>(cont'd)</b>	firmus energy	<p>The feasibility study results also determined that extending the network to the six towns in the west; Dungannon, Cookstown, Magherafelt, Omagh, Strabane and Enniskillen would generate positive Net Present Values in respect of the distribution network, with the exception of Strabane. However it has highlighted the requirement for additional funding/financing for the transmission network which would generate a negative Net Present Value for all towns listed.</p> <p>firmus energy would favour the second option for funding; the development project would be supported by a level of subvention from the Government which would eliminate the need for an increase in the postalised transmission tariff. The European Regional Development Fund could be explored as a source of funding for the project similar to the manner in which it was previously used to assist the development of the transmission network in Northern Ireland.</p>
<b>Part 3</b> <b>Question (e)</b> <b>How do respondents consider that an increase in the postalised transmission charge for all gas customers in Northern Ireland impact on the gas industry; on existing and potential gas customers; on electricity generation costs; or on Northern Ireland's overall economic competitiveness?</b>	Phoenix Energy Holdings Ltd	<p>The consultation states that the impact of subsidising all the towns considered in the feasibility study is to increase the overall retail price to natural gas consumers by 1% - 1.5%. The impact of this potential subsidy needs to be taken into consideration with all other potential impacts to the current transmission charge over the foreseeable future as whilst this on its own may not look material, accumulated alongside other upward drivers of charges may start to put undue risk on the recovery of the core investment . The Department and the Utility Regulator should calculate the potential aggregated impact on the transmission charge of this proposal and other impacts such as carbon taxation on Northern Ireland's power stations that may mean less</p> <p>electricity is generated and sold into the Single Electricity Market by Northern Ireland power stations going forward and more by power stations in the Republic of Ireland, thereby reducing the volume of gas going through the transmission network. Phoenix are not fully aware of all potential impacts that may increase the current transmission charge but the Utility Regulator, as a cross Utility Regulator, should have all the information available to them to determine and publish the overall effect and should take this into consideration before any final decision is taken on the Gas to the West project.</p>

<p style="text-align: center;"><b>Consultation Responses</b></p> <p style="text-align: center;">(including general responses and responses to corresponding consultation paper paragraph)</p>	<p style="text-align: center;"><b>Organisation responding</b></p>	<p style="text-align: center;"><b>Comments from respondents</b></p>
<p><b>Part 3 Question (e)</b> <b>(cont'd)</b></p>	<p>Phoenix Energy Holdings Ltd (cont'd)</p>	<p>Although the increase in infrastructure or transportation costs may be seen as marginal compared to the volatility in the commodity element of the final retail price to consumers it has to be remembered that in theory the commodity element moves in line with the commodity element of other competing fuels and if the fixed infrastructure cost is increased too far it may make the competitiveness of natural gas compared to other fuels less favourable. This would not only have the impact of making the success of extending natural gas to new areas very challenging but would also make the continued growth of the existing natural gas markets more difficult which could perversely result in a lower take up of natural gas than that that would have been experienced if the natural gas networks had not been extended. The exact level of infrastructure costs that can be absorbed by consumers is extremely difficult to determine and may well never be known until it is too late and the impact of excessive costs has been realised. Therefore Phoenix would strongly encourage the Department to look at other ways as well as cross subsidies, such as the European grant or other grants that funded 35% of the Mutual Energy transmission pipelines and the BGE South North and North West pipelines, to contribute to the cost of the transmission pipelines.</p>
	<p>Linergy Ltd</p>	<p>It is our view that the extension of the gas infrastructure transmission network should be financed by all gas customers throughout Northern Ireland. Just as the Electricity Network is funded by all electricity users, we see no reason why the gas network should be treated differently. While the anticipated increase in retail bills is estimated at circa 1-1.5%, a <b>maximum</b> increase should be set and implemented to ensure that there is no disproportionate effect on gas prices.</p>
	<p>Ulster Farmer's Union (UFU)</p>	<p>Postalisation means that charges for conveying a therm of gas through designated pipelines will be the same regardless of the distance that it is conveyed or the number of pipelines, through which it is conveyed. In other words it is a flat rate. The UFU would wish to ask the question as to what has happened to the implementation of an Entry Exit Regime, which was seen in some quarters as being more advantageous to consumers. There would be a fear that electricity costs could rise and in which case, those who have no choice but to use electricity will be at a cost disadvantage.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (e)</b> <b>(cont'd)</b>	The Green Party	No comment
	Biomass Energy NI (BENI)	Electricity cost will increase and <u>all</u> electricity users will end up funding the extension of the gas pipeline to a few fortunate areas, close to large energy users.
	Dale Farm Ltd	We believe that there is a strong economic and social case for Government to support the cost of extending the gas network to the west of the province. Ongoing running costs should be met by current users and potential beneficiaries.
	Firmus energy	Given the proposed electricity grid development to meet the Department's Strategic Energy Framework target in the coming years, firmus energy feel this is the most viable option particularly in meeting the needs of those households suffering from fuel poverty. The wider implications of an increase in fuel charges for all customers in Northern Ireland are also a concern for firmus. An approach which led to increased existing gas tariffs runs the risk of being somewhat counter productive in that it makes natural gas a less attractive proposition to customers. We are therefore supportive of any measures which help ensure lowering business costs and increasing competitiveness for all businesses in Northern Ireland.
	BGE (UK)	Natural Gas competes for market share with other fuels in Northern Ireland. As well as being advantageous from a price perspective, Natural Gas is cleaner than the alternatives and offers more flexibility to consumers. Notwithstanding these facts, it is important that the fuel retains its advantage to attract further customers in order to reward investment that is already made in the NI Gas industry. An increase in the postalised Transmission charge affects all consumers and therefore needs to be carefully assessed prior to any such policy decision being taken.
	NIHE	If 1.5%, as suggested, at first glance this may not impact greatly. However, it depends also on what other increases are taking place at the same time, e.g. rising wholesale prices and/or other Government levies. Also, as stated above, we would have liked to have seen figures on what this would mean for the average household bill.

<b>Consultation Responses</b> <b>(including general responses and responses to corresponding consultation paper paragraph)</b>	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (e)</b> <b>(cont'd)</b>	South Eastern Health & Social Care Trust (SEHT)	<p>A 1-2% increase in gas cost is a feasibly acceptable cost inconsideration that it may be short term and in the view of the overall benefits it will have to the wider population with civil engineering contracts for the infrastructure and lower emissions in the changing of fuel type likely from oil to gas.</p> <p>Oil costs are extremely volatile from world supply chains and are proving to be very damaging to the budget of the SEHT. Costs have increased by 15%. Gas costs are more stable and therefore more attractive for use.</p>
<b>Part 3</b> <b>Question (f)</b> <b>Do respondents consider that the potential benefits of extending the gas network outweigh the costs?</b>	Linergy Ltd	<p>Cognisant of the cost advantage available to similar facilities with access to the Natural Gas Network, we firmly believe the network in Northern Ireland should be extended. Natural Gas delivers both financial and environmental benefits, helping to contribute to more sustainable business.</p> <p>As an environmentally responsible company, we feel that the non-monetary benefits are of great importance along with the reduced energy costs. Alternative fuel supplies can only contribute to enhancing the financial and environmental sustainability of our businesses, and Natural Gas is an obvious route to pursue in driving downwards the emission of Greenhouse Gases.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	Northern Ireland Environment Link	<p>The document causes some concern in relation to funding of the proposed extension. It is apparent that the consumer will face further increases in their energy bills and there will be inevitable impact on the challenging fuel poverty statistics that we are currently facing as both gas and electricity prices are affected. More information is needed in terms of the economic justification for the proposed network extensions and likely delivery as part of a wider framework. Investment in energy development is more critical now than ever to meet EU targets, address fuel poverty and ensure security of supply within the limitations of a difficult fiscal climate. Energy development should be regarded as an opportunity for Northern Ireland to share in future prosperity arising from the development and marketing of associated new technology. We should be investing in our future energy supply to reap the rewards locally in the future instead of paying rising costs to energy suppliers, often overseas. It is important to consider Northern Ireland's dependency on natural gas imports as price cannot be controlled and reliability is not secure with limited gas storage facilities in the region. Careful planning and coordination of an integrated energy framework will consider a shift to a more decentralised model of supply to maximise renewable energy potential in alignment with the UK Renewable Energy Roadmap.</p> <p>In conclusion, we believe that limited extension of the gas network may be useful, but that any extension should not divert funding or effort from pursuing indigenous renewable development.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	Consumer Council NI	<p><u>Benefits of Gas</u></p> <p>At 44 per cent of households, Northern Ireland has the highest level of fuel poverty in the UK. Northern Ireland has by far the worst level of fuel poverty across the UK (double that of England, and significantly more than Scotland and Wales) and among the worst in Northern Europe.</p> <p>For an extension of the gas network to be successful it must make a significant contribution to reducing the cost of the average heating bill in Northern Ireland. This will in turn, help to eradicate fuel poverty in Northern Ireland Home heating oil is still used by 68 per cent of homes in Northern Ireland and with its high and volatile cost is the reason why Northern Ireland has by far the highest number of fuel poor households in the UK. Consumer Council research estimates that on average it costs a household £1085 per year more to heat their house with oil as compared to gas.</p> <p>In order for natural gas to reduce household energy bills and fuel poverty in Northern Ireland not only should it be extended into new areas but it must achieve a high level of uptake. Of the two models used in the feasibility study the BM2 model, (which assumes an uptake of 70 per cent of existing households) provides the best opportunity for this.</p> <p>Other opportunities also should be taken to convert more households from home heating oil to natural gas. Within the existing PNG and firmus licence areas there remain a significant amount of households that are not on gas but are located within reach of a transmission/distribution pipe.</p> <p>Consideration must also be given to 'filling in the gaps' in the distribution network within the existing licence areas and increasing the take up of gas in them. Whilst there will be a cost to the consumer it will be more economical per new connection than a far reaching network extension.</p>



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	Consumer Council NI (cont'd)	<p>Introducing natural gas provides an opportunity to give consumers a regulated fuel as an alternative to the unregulated heating oil market. Regulation can protect consumers not only on price, but also by providing minimum standards of customer service, support for vulnerable and low income customers and information and advice on budgeting and energy efficiency. Currently, the 68 per cent of households in Northern Ireland that rely on home heating oil receive none of these protections.</p> <p>Furthermore, gas is a fuel that, unlike home heating oil, can use Pay As You Go Meters. In the firmus, 10 Towns Licence areas, 85 percent of households use Pay As You Go Meters and consume 26 per cent less gas than Direct Debit customers saving them money as well as reducing carbon emissions<sup>3</sup>. Pay As You Go Meters also give households greater opportunities to budget for their energy use throughout the year.</p> <p><u>Additional Costs</u></p> <p>The reverse side of the coin from the benefits of gas is the cost of extending the gas network. The cost to consumers must be at a level that will represent a negligible increase to consumers and in any case would be substantially offset by the savings made by consumers that converted to gas from home heating oil.</p> <p>Whilst fuel poor households must be a priority, all consumers need to see their costs kept as low as possible. All households, businesses, industry and the public sector are under financial pressure particularly in the current financial climate.</p> <p>The consultation shows that the cost of the distribution network would be self financing, even using the more ambitious model BM2, with the exception of a marginal negative NPV for Strabane. This is a major consideration in favour of extending the network.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	Consumer Council NI (cont'd)	<p>However, the estimated cost of the new transmission network is more problematic. The consultation suggests that a postalised charging system for the increased transmission costs will add 1-1.5 per cent to the average bill. This would increase the current average Phoenix Supply domestic gas bill from £603 to £612. This seems a modest amount. However, any change in the amount that consumers will need to pay must be seen in the context of the additional costs for energy that consumers are being expected to pay in the future.</p> <p>The consultation highlights the cost of Northern Ireland Government's renewable energy target and the UK Governments Market Reform proposals. DETI's Strategic Energy Framework estimates that each household in Northern Ireland will need to pay between £49 and £83 a year extra to reach the target of 40 per cent renewable energy by 2020. Furthermore the Utility Regulator has estimated that the current submission by the electricity network operator, NIE, to maintain and upgrade the grid would add 12 per cent to electricity bills in 2012.</p> <p>In addition to these rising costs must be added the possibility that the cost of energy overall will continue to increase. This year Northern Ireland consumers have endured increases in the price of gas ranging from 28.4 per cent to 39.1 per cent and in electricity of 18.6 per cent.</p> <p>It is also the case that any increase in the postalised transmission element in the cost of gas, when combined with the other aforementioned costs, may impact on the ability of Northern Ireland power stations to compete in the Single Electricity Market (SEM). Northern Ireland power stations consume 65 per cent of the Northern Ireland gas and are fundamental to the economic viability of the gas industry in Northern Ireland.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	Consumer Council NI (cont'd)	<p><u>The future cost of gas against competing fuels</u></p> <p>The future cost of gas against competing fuels is fundamental to the consultation. If introduced in the areas proposed gas will be competing against heating oil and renewable heat.</p> <p>International gas prices are volatile and it is only due to forward purchasing that gas suppliers are able to provide price stability for consumers. However, the Consumer Council recognises that natural gas is a more economical fuel source, when compared to other fuel sources, including electricity and heating oil.</p> <p>We also recognise that whilst wholesale gas, and thus retail, prices have remained volatile, natural gas remains more than competitive with rival fuels such as oil, LPG and mains electricity. Whilst gas bills for Phoenix Supply customers have decreased by 12 per cent since January 2009, they have risen by 43 per cent for Northern Ireland home heating oil customers.</p> <p>Whilst recognising the potential cost (and environmental) benefits of natural gas over other fossil fuels such as home heating oil, the Consumer Council would like to highlight Malcolm Wick MP's independent report, <i>"Energy Security – A National Challenge in a Changing World"</i>.<sup>8</sup> The report discusses that in the future fossil fuels, including natural gas, are going to become even more prone to high or volatile prices, and possible disruptions in supply.</p>
	Ulster Farmer's Union	The UFU are concerned about the continued policy and focus on natural gas at the behest of the Renewables sector. Whilst alternative technologies are acknowledged, the UFU believes that by favouring gas, parts of Northern Ireland continue to rely upon an imported fossil fuel (and will continue to do so), whilst there are indigenous biomass which could provide renewable heat to those rural areas where the gas network will never reach.
	Biomass Energy NI (BENI)	No

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	Dale Farm Ltd	Absolutely, in terms of securing the competitiveness and local employment of industry. Investing in extending the gas network will lower average energy costs and reduce pollution.
	Cookstown DC	Council's believes that the potential benefits of extending the gas network outweighs the costs.
	The Green Party	The gas industry will undoubtedly develop in NI as a result of an expansion in the gas network. Yet, we have concerns that such an expansion has the potential to crowd out the needed investment in renewable energy. NI must maximize investment in renewable energy because it will provide incentives for businesses to enhance the technology and for individuals to install and service the technology. Investment will, as a consequence, help to lower the price of renewable energy and help to make it even more affordable. The Green Party believes that expanding an industry, which will become obsolete in the near future is an inefficient use of people's time and society's resources.
	CBI NI	<p>The cost to connecting the six towns is estimated to increase transmission costs by 14.7% leading to an estimated increase of 1-1.5% in retail gas bills for customers. Although this might seem a modest figure, for many larger energy users this can be tens of thousands of pounds, which will have a further negative impact on their profitability. Energy users already experience high energy prices in Northern Ireland, and are concerned at any further price rises.</p> <p>The level of cross-subsidy must consider the true cost of gas consumers set against the backdrop of global gas prices which are continuing to increase. At the same time all consumers are already facing increasing transmission charges of around 25%.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	CBI NI (cont'd)	<p>Electricity prices would also be affected as gas transported through the transmission network is used to generate electricity. In essence this would mean that electricity consumers would contribute to funding an extension of the transmission network.</p> <p>These additional costs add another burden to our businesses that already face a challenging global economic climate. Members believe that the burden should not be solely placed on domestic consumers and businesses and that government must financially contribute to this key economic project.</p> <p>There is a strong case for prioritisation. Members do see strong value in extending the gas network to Mid-Ulster area in towns such as Dungannon, Cookstown and Magherafelt. This can be done at a more modest cost (estimated at c £25m), and more acceptable burden on other consumers.</p>
	BGE (UK)	<p>An assessment of whether the potential benefits outweigh the costs will depend on how costs and benefits are defined. The feasibility study revealed a negative NPV associated with aspects of the proposed network. The study also highlighted a number of non-monetary factors such as lower business costs, environmental benefits, greater consumer choice/convenience, and greater security of supply which must also be taken into account in a broader assessment. As BGE (UK) has stated, it is critical that the feasibility study also takes into account the technical considerations associated with the existing network e.g. lower minimum design inlet pressures, or alternatively consideration is given to evaluating which measures are necessary to raise the minimum design pressure on the existing Transmission Network.</p>
	NIHE	<p>Yes, broadly. It reduces Northern Ireland's dependence on imported oil, for which many households find it difficult to budget.</p>

<b>Consultation Responses</b> <b>(including general responses and responses to corresponding consultation paper paragraph)</b>	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 3 Question (f)</b> <b>(cont'd)</b>	South Eastern Health & Social Care Trust	<p>If the network can be extended to encompass East Down the benefit to the South East Health Trust shall be tremendous value as noted below:</p> <ul style="list-style-type: none"> <li>• South East Health Trust Oil usage in this region of 14105mWh at a cost of £760,347.00</li> <li>• Overall Trust wide gas cost of £2.1million 2010/11. A 1-2% increase on this to allow a switch over on the abovewould constitute a cost increase on our budget of £20 – 42000 but save the South East Health Trust over £260,000.00 per year in fuel cost and £20,000.00 in CRC tax payments.</li> </ul>
	firmus energy	<p>There are a number of further benefits created by extending the natural gas network in Northern Ireland, which firmus energy feel it is appropriate to highlight at this stage. Firstly there are hundreds of people employed in the gas industry in Northern Ireland and any development to the network would lead to an increase in available jobs and increased opportunity and security for existing employees.</p> <p>Natural gas also emits the lowest greenhouse gases of any fossil fuel. Switching to natural gas from oil will save the average 3 bedroom house 0.93 tonnes of carbon per year<sup>1</sup>. Thus the extension of the gas grid in somewhat analogous to the major upcoming electricity grid expansion in that it will contribute to the objective of reducing carbon dioxide emissions in Northern Ireland.</p> <p>Our significant experience in developing a gas network in rural areas such as these, with no existing 'old towns' gas infrastructure, places firmus energy in a position to advise on more technical issues.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<p><b>Part 4 – New Licence area, staging of gas extension, business models, rates of return, identifying key gas loads and driving connections</b></p> <p><b>Question (a)</b></p> <p><b>Do respondents agree that there would be benefits from developing the natural gas infrastructure to any new towns as one licensed area, or should consideration be given to establishing a number of new licence areas? If the latter, how should the licensed areas be constituted?</b></p>	Dale Farm Ltd	We would suggest that the design of licensing agreements should be driven by a need to offer a viable return on investment.
	BGE (UK)	Given the general challenges posed by scale, BGE (UK) is of the view that the gas network extension required for Transmission should be developed as one licenced area or potentially as an addition to an existing licence by agreement with the Licensee. BGE (UK) also believes consideration should be given to allowing towns to be economically appraised as part of a regional group.
	Consumer Council NI	<p>The current situation of two gas licence areas which provides two different regulated gas tariffs (firmus in the 10 Towns and Phoenix Supply in Belfast), whilst at the same time providing two different tariffs for firmus energy (between its 10 Towns Tariff and its unregulated Belfast tariff) is confusing for customers. The Consumer Council believe that it is unsatisfactory for customers to be paying a different price for their gas on a locational basis within the small regional area of Northern Ireland. If multiple licence areas are chosen this provides the potential for further customer confusion.</p> <p>Furthermore, a single, larger licence area is more likely to be attractive to competing suppliers to enter the market in the future. The Consumer Council supports the introduction of competition into Northern Ireland energy markets where it can be clearly shown that it will provide tangible benefits for consumer.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (a)</b> <b>(cont'd)</b>	South Eastern Health & Social Care Trust	The new town connections should be classed as one new licence area to normalise the project cost across the province.
	NIHE	Yes, NIHE would see benefits in having one licence area, but can existing licence areas not be extended?
	The Green Party	No comment.
<b>Part 4</b> <b>Question (b)</b> <b>How should gas network extension be delivered, e.g. by roll-out in stages with connections to those towns with the highest potential gas loads first, followed by connections to other areas in due course, or by roll-out to all new areas in one project?</b>	Phoenix Energy Holdings Ltd	<p>The policy context of the consultation states that “the Department recognises the scope for both deepening and further development of the natural gas network throughout Northern Ireland.” Deepening of the natural gas network can be achieved both in the firmus licensed area (currently over 100,000 households are not being given the opportunity of natural gas) and also by further maximising natural gas availability in the Phoenix licensed area. As stated above Phoenix has already exceeded its licence target of making natural gas available to over 81% of properties in its licensed area but a number of properties still remain that could have natural gas made available to them. As these remaining properties are more technically/economically challenging to construct network to, they are also on average slightly more expensive than the cost of constructing the network already completed, but many will still be economic. In addition the marginal cost of extending the network in the current licensed area will be significantly less than the marginal cost of extending the network to brand new areas, especially those that require transmission pipelines.</p> <p>It is fair to consider what a potential roll-out could look like based on our experience of successfully developing natural gas to large numbers of homes and businesses and in doing so converting a large number, over a relatively short period, to natural gas. To this end a two stage roll-out would be our preferred solution:</p>



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (b)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>Years 1 to 5 – making natural gas available to additional properties in the North West and Greater Belfast existing areas (c.75,000 properties could have natural gas made available). Also building new networks to the Downpatrick economic corridor and completing Phase 1 of Gas to the West as far as Cookstown.</p> <p>Years 3 to 7 – Completing Phase 2 by making natural gas available in the remaining Gas to the West towns as far as Enniskillen.</p>
	South Eastern Health & Social Care Trust	A roll out to the larger consumers should be first followed by additional lesser schemes so that the gas suppliers can avail of incoming monies as soon as practicable. This will also have a greater expedited impact upon the carbon footprint of NI.
	The Green Party	No comment.
	Cookstown DC	Our preferred options are 3.2 (b) Portadown-Dungannon-Cookstown and 3.2 (c) Portadown-Dungannon-Cookstown-Magherafelt, all of which provide positive Net Present Values.
	Moypark Ltd	Rolled out to areas which have the highest domestic density potential, given the domestic sector have the highest demand and are affected by fuel poverty, assuming Gas less expensive.
	Linergy Ltd	It would seem most sensible to deliver any gas network extension on a phased methodology – thus allowing the system to start to recoup Capex prior to next phase commencing. This would also allow businesses to start to benefit from the roll out as quickly as possible. The logical route would be to run the transmission network from Portadown West along the line of the M1, continuing to the A4 and then the A5 to Omagh. Along the length of these roads are a number of large industrial premises which could be connected to the system as the network reaches them, this would require minimal distribution network at the early stages, allowing key businesses in the areas to start withdrawing gas while the distribution system within the towns could follow as separate phases.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (b)</b> <b>(cont'd)</b>	Dale Farm Ltd	Rollout should be based on a priority to areas with greater consumption of energy and therefore those which are the most viable. I.E. to areas with a higher density of large industrial users - Dungannon, Cookstown and Magherafelt areas.
	BGE (UK)	BGE (UK) is of the view that it is more prudent to roll-out in stages to those towns with the highest potential gas loads followed by connections to other areas in due course.
	NIHE	In stages.  Extend the network first, see what the uptake is and then decide whether to extend to other towns.
<b>Part 4</b>  <b>Question (c)</b>  <b>Which business model, BM1 or BM2, would respondents consider to be the most appropriate option for extending the natural gas network? Are there alternatives models which should be considered?</b>	Phoenix Energy Holdings Ltd	<p>For clarity it is assumed that the Phoenix type of business model that provides the opportunity for the maximum number of customers to switch to natural gas is referred to as BM2 in the consultation (in essence c.85% of all homes and businesses in Greater Belfast are now connectable to natural gas – with around 50% already connected).</p> <p>Following the completion of the North West transmission pipeline in 2004 and the subsequent South North pipeline in 2006, firmus energy (firmus) was granted a licence to develop ten towns and cities along these pipeline routes. The ten towns licence granted to firmus concentrates on providing natural gas to primarily businesses, social housing and new private developments. Domestic customers in owner occupied private housing may be connected to the natural gas network if they are adjacent to routes developed to meet business demand for natural gas.</p> <p>For clarity it is assumed that the ten towns type of licence model that provides the opportunity for the minimum number of customers to switch to natural gas is referred to as BM1 in the consultation.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (c)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>To date this licence has made natural gas available to c.41,000 properties out of a total potential of c.140,000 with 10,600 customers already having made the switch to natural gas. With a regulatory target of connecting only 400 private domestic properties each year it is reasonable to assume that less than 2,000 of the 10,600 are actually private home owners. Therefore the ten towns licence model is currently, based on these numbers, excluding approximately 100,000 properties, or c.12% of the Northern Ireland population, from having the option of switching to natural gas.</p> <p>This means that after c.5 years of operation the ten towns licence model has made natural gas available to less than 30% of the licence potential and has connected less than 8% of the licence potential. With a regulatory target of only 400 per annum the penetration levels in the private domestic sector will continue to be extremely low for the foreseeable future.</p> <p>Phoenix has proven that the natural gas industry in NI can be very successful if it is clearly targeted with developing natural gas to the maximum number of people that it is economically viable to do. To date c.2.6 million tonnes of CO<sub>2</sub> has been prevented from entering Northern Ireland's atmosphere by customers connecting to the Phoenix network. This reduction of CO<sub>2</sub>, by way of example, is equivalent to c.330 1MW wind turbines operating for the last 14 years. The estimated capital cost of one of these turbines is c.£1m. In addition millions of pounds of energy efficiency savings have been enjoyed by consumers and over £600m has been invested into the local economy. Jobs have been created, new opportunities for businesses developed, and brand new enterprises established.</p> <p>Therefore with regards the assumptions and numbers used in the Gas to the West Study the Phoenix model which is described as BM2 in the consultation delivers the following additional benefits over the ten towns licence model described as BM1 in the consultation:</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (c)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (cont'd)	<ul style="list-style-type: none"> <li>• Over 23,000 more consumers within the Gas to the West study area will have greater consumer choice and in so doing experience the benefits of switching to natural gas.</li> <li>• BM1 requires £101m to connect 7,658 customers whereas BM2 requires a further £60m to connect 23,729 customers. Therefore cost per customer connected is half the price for the BM2 model.</li> <li>• The level of subventions required is a minimum of £7m less.</li> <li>• 50,000 tonnes per year less CO<sub>2</sub> will be produced when all the forecasted number of customers are connected.</li> <li>• £60m more will be invested in the local economy by the operator constructing the network.</li> <li>• Over £50m more will be invested by home owners in the local economy.</li> <li>• Millions of pounds more of energy efficiency savings will be achieved by householders.</li> <li>• Many more jobs will be created in the local economy.</li> <li>• Many more business and enterprise opportunities will be possible.</li> </ul>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (c)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (cont'd)	<p>Phoenix believes that the most important consideration that should be determined first is the answer to question 4(c). The decision as to what an extension to the natural gas network should look like really depends on what objectives are trying to be achieved. In the policy context part of this consultation it states that:</p> <p>“Natural gas is the least polluting fuel and, in the Strategy Energy Framework (2010), the Department recognises the scope for both deepening and further development of the natural gas network throughout Northern Ireland. The Department believes that extending the provision of natural gas to new areas will bring greater consumer choice, help shift the dependence on coal and oil for household heating and increase the businesses to use a cleaner, more efficient fuel.”</p> <p>Phoenix therefore strongly believe that if consumers are to be given more choice, if the natural gas network extension is to help shift the dependence on coal and oil for household heating, then there really is only one model that delivers these choices and that is the Phoenix model or BM2 in the consultation. In addition to meeting the policy requirements of the Strategic Energy Framework the Phoenix model also delivers all the other benefits listed above.</p>
	The Green Party	No comment.
	BGE (UK)	In light of the identified costs associated with the extension of the natural gas network, BGE (UK) consider it most appropriate to apply business model BM2, which assumes an uptake rate of 70% of Existing Domestic premises. Existing Domestic premises tend to switch to natural gas within the first year of home purchase; at the time of boiler replacement; or at the time of home renovation or refurbishment. In light of the 40 year uptake period assumed in the business model there should be many such opportunities arising for each premises.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (c)</b> <b>(cont'd)</b>	Dale Farm Ltd	We would recommend the model with the highest therms uptake.
	firmus energy	It has been firmus energy's experience that a licence based on connecting key gas loads rather than making gas available to as many customers as possible is more financially viable, in less densely populated areas. For this reason firmus energy would favour business model 1 which allows for greater volumes to be passed through the network, ultimately reducing tariffs for all customers. Higher fuel cost influences the competitiveness of businesses in rural towns particularly against those in existing natural gas areas.
	Cookstown DC	We would contend that the gas network should be extended with a long term view in mind, ie, Business Model BM2 and whist more expensive, will provide a long term solution and provide a significantly wider reach to four-fold customer numbers.
	CBI NI	The assumptions used to estimate the annual consumption should be checked to ensure they reflect today's property market. Further work should be conducted to quantify the likely uptake of users within each town.
	Consumer Council NI	As already discussed the Consumer Council believe that natural gas provides a number of significant benefits for the Northern Ireland consumer. For this reason we believe that the aim of the project must be to connect as many domestic households as possible. This is in addition to connecting as many businesses and public sector buildings as possible. We believe that the model BM2 will deliver the most benefit to Northern Ireland consumers and represents the best model for tackling fuel poverty.
	NIHE	The Housing Executive believes that BM1 with an assumed owner occupier uptake for gas of 1.25% is rather pessimistic whilst the 70% uptake of BM2 is optimistic. A business model somewhere between the two of these might be more appropriate.
	South Eastern Health & Social Care Trust	With the increase cost of oil, BM2 is likely to be the more realistic model as uptake should be projected as high in consideration of the savings gas use does offer.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (c)</b> <b>(cont'd)</b>	Dungannon & South Tyrone BC	Gas infrastructure development has been a key issue for the proposed growth of Dungannon & South Tyrone BC. Whilst BM2 would have greater advantages BM1 would also be welcomed in the short term.
<b>Part 4</b> <b>Question (d)</b> <b>What rates of return would be necessary to make investment in new areas by gas companies feasible?</b>	Phoenix Energy Holdings Ltd	<p>As already stated, developing a distribution network is risky because it requires significant upfront investment with income being recovered over a long term basis (in Phoenix's case a return over 40 years) and needs customers to convert to natural gas for the economics to work effectively. Anything that makes that specific model riskier makes the cost of delivering that specific model higher which would ultimately lead to higher prices for consumers. The consultation asks what rates of return would be necessary to make investment in new areas by natural gas companies feasible and makes a comparison between the current Phoenix and firmus rates of return of 7.5% pre tax real rate of return compared to the Great Britain (GB) weighted average cost of capital (WACC) of 4.84%. Phoenix believes that this comparison is unfair and misleading.</p> <p>Firstly Phoenix believes that this is comparing a pre-tax rate with a post-tax rate. Secondly in GB utility companies have been established for many years and are mature with regards the level of customers already connected to their networks. Their investment is therefore underwritten by a very large customer base and the vast majority of expenditure undertaken by these companies is in the form of replacement capex i.e. upgrading their existing network. If there is brand new investment by these companies they already have the customer base to pay for it and as such do not have the risk of having to grow the customer base in order to get their investment paid for. These GB companies, that have a lower WACC, are more aligned to the Northern Ireland transmission operators that have through the postalised regime their investments underwritten by Northern Ireland natural gas and electricity customers. There is very little risk to their investment.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (d)</b> <b>(cont'd)</b>	Phoenix Energy Holdings Ltd (Cont'd)	<p>One way of minimising the subvention required for extending the transmission network is to ensure that the rate of return given to any company that builds the transmission pipelines is commensurate and in line with the low level of risk being taken by that company. In addition there are some of the current transmission pipelines mutualised and as such deliver a rate of return in line with the low level of risk undertaken by their investors, there are also other Northern Ireland transmission pipelines that are also underwritten through the postalised regime which are currently earning a rate of return in excess of the risk being taken by their investors. Therefore one way of mitigating against potential increases in transmission charges is for the Department and the Utility Regulator to explore opportunities for aligning all Northern Ireland transmission pipelines owners rate of returns with the low level of risk that their investors have taken.</p> <p>Investments in GB that carry the same level of risk as that present in developing a distribution network would attract a WACC similar to the current Phoenix and firmus pre-tax rate of return. Therefore the rate of return that is required to deliver network extensions in Northern Ireland has to be at a level that recognises the level of risk involved in the investment and the rate of return needed by the investor to invest in that specific project as investors have choices as to where to invest their money.</p>
	The Green Party	No comment.
	firmus energy	The current pre tax rate of return for the both network operators in Northern Ireland is fixed at 7.5%. In order to make such development a feasible investment for gas companies the current rate of return would need to be maintained for the duration of the development. Also given the increased risk in these rural markets there may be a requirement to review the rate of return separate to the existing licence areas.
	BGE (UK)	BGE (UK) proposes the retention of the traditional and proven equity financing model to support investment in the gas network in Northern Ireland. This is in common with most regulatory regimes in the UK and Ireland and is in keeping with regulatory best practice.



<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (d)</b> <b>(cont'd)</b>	BGE (UK) (Cont'd)	<p>Specifically a regulatory asset base (RAB) should be established and a weighted average cost of capital (WACC) for the investment should be set with the cost of equity component determined using the Capital Asset Pricing Model (CPAM). The WACC must be adequate to cover the cost of debt plus the cost of equity and it must compensate for the risk in the project.</p> <p>BGE (UK) does not support a mutual model nor do we support the concepts of a RABCo, OpCo or construction Co proposed by First Economics in their paper "Financing Networks", as previously detailed in our response to the Utility Regulator and in our subsequent discussions with the Authority on our response paper.</p> <p>The equity model has served consumers well. Both in Ireland and the UK it has delivered value for money. It has resulted in significant operating cost efficiencies being realised and it has incentivised efficient capital expenditure in these regulatory regimes. The equity model has also delivered an effective management and governance structure.</p> <p>The mutual model works on the basis that the company is highly geared. Such high gearing is achieved by the regulatory regime passing all the risk to the consumer and by underpinning the financiers rights in legislation. Once the initial debt transaction is agreed with financiers the Regulatory authorities lose the ability to incentivise the business for ongoing cost efficiency, to impose penalties or to change the terms of the financing arrangements to facilitate regulatory changes that are to the benefit of the consumer. Once set, any change incurs unknown costs and all costs irrespective of the reason must be borne by the consumer not the financier. The freedom of the Regulator to protect the consumer is second to the financial contract that has been entered into with the financier. In brief the mutual model denies the consumer of the protections and benefits of best in practice regulatory regimes which facilitates regulatory flexibility, incentivises cost control, ensures periodic price controls, and which protects customers in times of financial distress.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (d)</b> <b>(cont'd)</b>	BGE (UK) (cont'd)	Financing structures, such as mutuals, have not been widely promoted by market participants or Regulators suggesting that they typically do not bring clear benefits.
	Consumer Council NI	<p>Any organisation that is prepared to invest in a long term venture will require a rate of return on its investment that will reflect the risk involved. The cost of transmission and Distribution may represent a third of the final tariff that customers pay, so it is essential that this is kept as low as possible. Not only is this to ensure that consumers pay a fair price but also to ensure that as many as possible convert.</p> <p>The Consumer Council would ask the Government to give consideration to mutualisation as a potential model for ownership of energy infrastructure in Northern Ireland. Northern Ireland Energy Holdings is such a mutualised company and the Consumer Council believes it represents a model of ownership that has the potential to bring short and long term benefits to the consumers of Northern Ireland.</p>
	NIHE	NIHE would not have sufficient knowledge of gas industry finance to comment.
	South Eastern Health & Social Care Trust	We normal operate a 3 year payback plan however in light of our answer to 3 (e), the costs of fuel replacement in our budget make the make the scheme attractive.
	The Green Party	No comment.
<b>Part 4</b> <b>Question (e)</b> <b>Is there a need for strong support and/or commitment from the business sector and from public sector organisations, such as District Councils, Health Trusts, Education and Library Boards and the Northern Ireland Housing Executive, before the gas network is extended to additional towns? How best might such support/commitment be developed?</b>	Phoenix Energy Holdings Ltd	Phoenix has been very successful at working with the business sector, public sector organisations such as District Councils, Health Trusts, Education and Library Boards and the Northern Ireland Housing Executive and has seen these organisations all playing their part in making the take up of natural gas in the Phoenix licensed area a great success. These organisations have seen the real benefits of switching to natural gas and are still continuing to make that switch with further properties on an ongoing basis. Phoenix do not see any requirement for further buy in from these organisations before the natural gas network is extended to new towns as the level of commitment experienced to date has been very high.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (e)</b> <b>(cont'd)</b>	Resident from Shrigley, Co Down Housing Estate	I believe the Housing Executive should help in the extension of gas supplies to rural areas. I presently reside in Shrigley just outside Killyleagh Co. Down. It is an N.I.H.E. estate of approx. 200 homes. The executive deemed fit to make this a smokeless area sealing up existing fireplaces and installing oil fire burners. I believe with the way markets are now and the pressure oil reserves are under we should have the opportunity to choose.
	The Green Party	No comment
	Biomass Energy NI (BENI)	Any support must not be at the expense of discouraging the use of existing or future renewable technologies.
	Moypark Ltd	No such commitment should be required given the longer term objective of government is to deliver lower carbon society. Long term commitments could be construed as a barrier to reducing the carbon intensity of the region.
	Dale Farm Ltd	There is already strong support for the extension of the network from the business community.
	firmus energy Ltd	This highlights the need for strong commitment from both the business sector and especially the public sector organisations in these areas.
	CBI NI	<p>Strong commitment from both businesses sector and public sector within these residing towns will be critical in assessing the economic viability of extending the gas network. Further engagement with these groups is highly recommended.</p> <p>It is clear that there is strong commitment from the business community in Mid-Ulster to connect to the gas network from many anchor tenants which further contributes to the economic viability for extending the gas network. Businesses in these areas have been limited for choice up to now and have already calculated the significant financial savings that would be realised if gas was available in their area.</p>

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (e)</b> <b>(cont'd)</b>	CBI NI (cont'd)	We understand that even with the existing network many public sector bodies have failed to take advantage of access to natural gas – including in the education and health sectors. This undermines the economic viability of extending the gas network, and is a significant concern. Greater take-up by the public sector would have a beneficial impact on all consumers by increasing gas volumes transported.
	Lakeland Dairies	<p>There is an acceptance in the consultation document that ‘further gas rollout will, of course, be dependent on the economic viability of any new natural gas transmission and distribution networks’.</p> <p>Also, the document seems to indicate the importance of having a ‘key gas load’ in order to make the provision of a gas network economically viable and these loads are often ‘I&amp;C’ or Industrial and Commercial loads.</p> <p>With some strategic, joint thinking Lakeland Dairies believes that its Killeshandra site in Co. Cavan could provide a ‘key gas load’ that would help make the provision of gas to Fermanagh more economically viable.</p> <p>There would of course have to be some work carried out south of the border in order to make this project viable however we would like to flag at this stage our willingness and interest in making this a reality.</p>
	BGE (UK)	The availability of anchor loads will be a critical determinant of the viability of the extension and obtaining the commitment of these key customers will be important. Multi annual commitments on gas usage from the largest industrial and commercial energy users should be secured in advance of extending the network to a town. Public sector organisation energy policies should be explicit in giving priority to natural gas as the fuel of choice and commit to contracting to connect within twelve months of network availability.
	Consumer Council NI	If the gas network is extended it is essential that the Public Sector estate must be fully committed to converting gas. There are three reasons for this:

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (e)</b> <b>(cont'd)</b>	Consumer Council NI (cont'd)	<p>Firstly, the potential range of benefits that natural gas offers to reduce carbon emissions is well known. The Northern Ireland Government must lead by example and where it has the power to do so direct the public sector estate to adopt natural gas as an alternative to other fossil fuels. The caveat to this is that where natural gas is competing with Renewable Heat each scheme should be judged on how well they contribute to Government targets and are able to reduce the cost for consumers.</p> <p>Secondly, the feasibility analysis of this project shows that by guaranteeing the demand for a large base load volume of gas, the case for extending the network is enhanced. The public sector estate will significantly contribute to the baseload required for the project to be economically feasible.</p> <p>Finally, the substantial volumes of gas that the public estate could consume would help reduce the transmission charges for all gas consumers.</p>
	NIHE	Yes. NIHE is already committed but other public bodies should be asked to consider gas when installing new heating systems or replacing them.
	South Eastern Health & Social Care Trust	As larger group users, local councils and health trusts should be ensured to take up the scheme. Their inclusion is vital for success of the new possible network. This can be achieved by early contact with relevant estates and financial representatives within each organisation to promote their support and vocalise their involvement. Such support will encourage the local populations to equally take up the new network..
	Western Health & Social Care Trust	The Western Health and Social care Trust has Healthcare Buildings in the Strabane, Omagh and Enniskillen areas which provided that it was economical would be keen to convert to Natural Gas, the New Southwest Hospital which is being opened next year could potentially be convert to Natural Gas , there is plans in place to open a new Hospital in Omagh in the next 5 years and again this Hospital could be designed for gas if Guarantees where available that gas would be available, if not it could be converted later. Finally as you would have heard on the media the new cancer centre for the northwest has been given the go ahead for the Altnagelvin site and again I would say that gas will be considered as a heating source.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (e)</b> <b>(cont'd)</b>	Dungannon & South Tyrone BC	Previous consultation with the sector on gas infrastructure would suggest a strong demand from both the private sector, large public sector and need for flexible energy options in the consumer sector. The public sector in the area is substantial mainly attributable to a large local hospital, five large secondary schools and further primary schools, Court House, social security sub regional centre, and sub regional roads, a strong base to drive investment.
<b>Part 4</b> <b>Question (f)</b> <b>Are further incentives necessary to drive I &amp; C and domestic connections to any new natural gas infrastructure or could gas network extension be delivered without additional incentives?</b>	Phoenix Energy Holdings Ltd	As part of their regular price controls, Phoenix and firmus discuss with the Utility Regulator what level of market development and incentives are necessary to stimulate the required level of customer connections. This process has clearly worked to date in the Phoenix licensed area and Phoenix would envisage that this process would continue with any new network extensions and therefore do not see any requirement for any additional mechanisms for delivering incentives for customer connections.
	Biomass Energy NI (BENI)	Should develop (or not) without additional incentives.
	Moypark Ltd	Incentives related to system efficiency could be considered, use of temporarily discounted / reduced tariffs fail to deliver net efficiencies on the demand side.
	The Green Party	No comment
	Dale Farm Ltd	Incentives should be utilised to ensure a speedy and effective roll out of the network.
	firmus energy	It has been firmus energy's experience that incentives for downstream installation for both domestic and I&C customers, greatly enhance the likelihood of a customer switching.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (f)</b> <b>(cont'd)</b>	CBI NI	CBI members strongly believe that a government subvention is required to ensure that gas transmission network is extended to the key towns identified within the consultation document. Most consumers will select gas if the prices are attractive compared to oil. We need to reduce our dependency on oil and offer consumers the choice of both natural gas and available renewable energy.
	BGE (UK)	The success of the transmission investment is strongly linked to uptake at distribution level. A distribution connection and charging model which incentivises use of gas is crucial to the overall success of the project.
	Consumer Council NI	<p>Typically the upfront cost to domestic houses of installing a condensing gas boiler is around £25009. In order to ensure that sufficient domestic customers convert to gas it will be necessary to provide a financial incentive. This has happened in the Belfast area and has seen some success with around 50% of households to whom gas is available having converted. However, the typical level of incentives available in Belfast of between £200 and £400 per household may not be sufficient to enable households on low incomes to convert.</p> <p>The Consumer Council has stated previously that fuel poor households need to be identified and given financial support. Providing financial support that enables fuel poor households to convert to gas is a long term solution to lifting those households out of fuel poverty. The overall cost of extending the natural gas network needs to take into account the cost of providing this support.</p>
	NIHE	If it is competitive to existing energy sources it should be viable without incentives.
	South Eastern Health & Social Care Trust	The incentive should be deliverance of the new network via a temporary increase in overall gas cost only with a guarantee of its removal once the infrastructure cost has been covered. In addition to this, as larger province wide organisations will have to foot this increase also, more attractive gas rates should be available to the larger user such as councils or health trusts.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4</b>  <b>Question (g)</b>  <b>What are the views of respondents on the potential for CHP projects or transport fleets powered by CNG to help build the necessary gas loads which would make extension of the natural gas network economically viable?</b>	Phoenix Energy Holdings Ltd	Since 1996 Phoenix has connected many new customers who have utilised natural gas for technologies such as Combined Heat and Power and therefore would expect opportunities on any network extension for similar technologies to be considered by potential customers. Although Phoenix has not explored in any detail the opportunity for transport fleets to be powered by Compressed Natural Gas (CNG), it understands as like many projects, the greater the number of customers utilising the facility the better the economics are. Therefore as the transport fleets are most intense around the main conurbations of Greater Belfast it may be a more practical and economic solution to explore the opportunity of CNG usage within Greater Belfast which, if economic, might act as a mitigating action against any potential increase in the transmission charge i.e. an increase in load within existing areas not only helps the transmission charge in those areas but also contributes positively to expanding natural gas to new areas.
	Ulster Farmer's Union (UFU)	The UFU would be in favour of any moves to encourage or incentivise on-farm CHP projects which would utilise the innovative uses of natural gas. The UFU feels that this level of interest could be extended to the proposed NI Renewable Heat Incentive.
	Moypark Ltd	Also related to the point above, funding for micro chp systems would be a logical approach whereby gas connections made have an immediate and longer term impact on NI's carbon reduction targets, and meet the objective of connecting more gas customers.
	Dale Farm Ltd	CHP, at an industrial level would be an attractive proposition based on the availability of gas.
	The Green Party	The Green Party concurs that local CHP plants do have the potential to significantly reduce greenhouse gas emissions and, while we still believe that on balance the investment into expanding the gas network ought to be redirected towards renewable energy and, ideally renewable energy powered CHP plants, we would <b><u>strongly encourage</u></b> the development of local CHP plants if the decision were made to expand the network.
<b>Consultation Responses</b>	<b>Organisation</b>	<b>Comments from respondents</b>



(including general responses and responses to corresponding consultation paper paragraph)	responding	
Part 4 Question (g) (cont'd)	firmus energy	In terms of the 'Compressed Natural Gas' for transport proposals presented in the consultation, again firmus welcomes this type of initiative. Utilising gas for transport will mean an increased volume of gas required, which in turn helps spread costs and thus reduce tariffs for all customers. We feel an initiative such as this should be both consulted on and treated as a separate work stream to the network extension given the complexity of this issue.
	BGE (UK)	<p>An assessment of the potential for CHP and CNG to augment the gas loads already identified should be undertaken as part of finalising the business modelling analysis.</p> <p>Premises with requirement for both electricity and heat such as hospitals, hotels, leisure facilities, care homes and schools are suitable for deployment of CHP technology.</p> <p>An assessment of the commercial and public transport fleets in the towns proposed for extension to the network should be completed in advance of finalising the business model.</p> <p>BGE (UK) believe that CNG can make a significant impact on gas demand and therefore build necessary gas loads to help make the extension of the natural gas network viable. Firstly, there has been very significant growth in NGVs internationally since 2000, with almost a 30% year-on-year growth. Recent statistics from the Natural Gas Vehicle Association of Europe (NGVA Europe) show that there are over 13million NGVs worldwide. BGE (UK) supports the use of natural gas as CNG and strongly urges collaboration to develop this market. We have recently commissioned independent research (through DKM/FS) which included an analysis of commercial Natural Gas Vehicles (NGVs) gas consumption requirements. This research highlighted that the gas requirements can be substantial e.g. one truck could be equivalent to 55 new standard houses. (Please see the table at <b>Annex A</b> for more information.</p>
	NIHE	Each project would require a feasibility study to see if it stacks up economically.

<b>Consultation Responses</b> (including general responses and responses to corresponding consultation paper paragraph)	<b>Organisation responding</b>	<b>Comments from respondents</b>
<b>Part 4 Question (g)</b> <b>(cont'd)</b>	South Eastern Health & Social Care Trust	The South Eastern Health and Social Care Trust in having 2 substantial hospitals within the Downpatrick area would consider CHP in the future, however it presently operates a 1Mw Biomass. Future inclusion of vehicle costs to the CRC could encourage gas power conversation of vehicles however. CHP plants elsewhere in Health Centres are an option that the Trust can annually investigate with invest to save funding from Health Estates and having this additional technological option is a positive.
<b>Part 5 – Equality Issues</b>  <b>Question (a)</b>  <b>Do respondents have any views on specific equality-related issues that they would wish the Department to consider as part of its developing policy on gas network extension?</b>	Biomass Energy NI (BENI)	As already explained we see the proposal as having the potential to further disadvantage both business and households in rural areas, and to increase fuel poverty in such areas. Any action should be subject to a rigorous review of these implications and to full Rural Proofing scrutiny.
	BGE (UK)	BGE (UK) continues to be committed to the promotion of equality of opportunity and is supportive of the screening of emerging proposals for equality impact.
	Dale Farm UK	Gas availability to the west of NI will address the current disadvantage this region has in social and economic terms. It will help address fuel poverty, improve the competitiveness of industry and improve the environment.
	Consumer Council NI	It is the case that many rural areas of Northern Ireland are unlikely to be ever connected to the gas network. Other viable solutions need to be found for these consumers, particularly those suffering from fuel poverty. Solutions could include alternative energy sources such as micro-generation and community type CHP projects.
	NIHE	No

**ANNEX A**

<b>Vehicle Type</b>	<b>Van</b>	<b>Bus</b>	<b>Truck</b>	
Number of vehicles	1	1	1	
Km travelled per vehicle pa	50,000	80,000	80,000	
Gas requirements (in kWh)	61,184	347,368	663,158	
This is equivalent to:	5	29	55	New House (i.e. 12,000 kWh)