GAS PIPELINE DESIGNATION

Notice under Article 59 of the Energy (Northern Ireland) Order 2003

1. The Department for the Economy (the “Department”), pursuant to Article 59(4) of the Energy (Northern Ireland) Order 2003 (the “Energy Order”), hereby gives notice as follows:

   (i) The Department proposes to designate for the purpose of Article 59 of the Energy Order the pipelines identified in the Schedule to the attached draft Designation Order.

   (ii) The reasons for, and effects of, the Designation Order are outlined below.

Reasons

2. In January 2013, the Northern Ireland Executive approved grant assistance up to £32.5 million for a major project to extend natural gas networks to further towns in the West of Northern Ireland, namely Strabane, Dungannon, Coalisland, Cookstown, Magherafelt, Omagh, Enniskillen and Derrylin.

3. To facilitate the Gas to the West project and ensure its economic viability, it is proposed that high pressure (> 7 bar gauge) sections of the new gas pipelines in the West should be “postalised”. This means that the cost of constructing and operating these pipelines will be added to a Common Tariff within gas bills and recovered from all gas customers in Northern Ireland over a 40 year period. This is established policy for high pressure gas pipelines in Northern Ireland.

“Postalisation” Policy

4. The policy of “postalisation” was first consulted upon in June 2002 as part of the preparation for the implementation of the Energy Order. This was followed by a paper on the Design of the Postalisation System for the Northern Ireland Gas Transmission Network in December 2002; Recommendations for the Implementation and Operation of a Postalised System for Transmission Tariffs in Northern Ireland in June 2003; and a Decision Letter in October 2003.

5. The Energy Order subsequently put in place the powers necessary to give effect to postalisation. In particular, Article 59 gives the Department the power to designate pipelines for the purpose of securing that the prices charged for conveyance of gas through designated pipelines are in accordance with a Common Tariff (Article 60).

6. The extension of the gas industry in Northern Ireland and the implementation of postalisation policy have been supported by the Northern Ireland Authority for Utility Regulation (NIAUR) which has been consulted about the terms of the proposed Designation Order.
Proposed Designation Order

7. In October 2016, a Designation Order came into operation for a high pressure section of the new gas pipeline between Maydown and Strabane which was constructed as part of the first phase of the Gas to the West project. It is now proposed to put in place a Designation Order for the remaining Gas to the West high pressure gas pipelines which are due to be completed by end-2018. They are namely:

“That part of the pipeline known as the West pipeline consisting of two sections, which run for 27.5 kilometres approximately from (and including) the Offtake connection at Portadown to (and including) the Pressure Reduction Station at Dungannon, and for 50.5 kilometres approximately from (and including) Dungannon Tee to (and including) the Pressure Reduction Station at Tullykenneye and to (and including) the Tullybroom Pressure Reduction Station.

8. It is proposed that designation will take effect from 31st October 2018.

9. Article 59(6) of the Energy Order provides that, if a Designation Order contains provision to the effect that the designation of any particular pipeline is for a specified period (referred to as the minimum period for designation), the Department shall not revoke or effectively terminate the designation before the end of that period. A designation period of 40 years is broadly consistent with the period over which the capital costs of the pipeline will be expected to be recovered from consumers which results in a designation period as follows:

- **West Transmission Ltd – up to 11th February 2055**

   This represents 40 years from the date on which, under Article 8(1)(a) of the Gas (Northern Ireland) Order 1996, NIAUR granted a gas conveyance licence to West Transmission Ltd in respect of the high pressure pipelines in the West.

**Effect**

10. The proposed Designation Order will facilitate extension of the natural gas network in Northern Ireland to further towns in the West in line with the Department’s overall strategic objectives (as originally defined in its 2012 economic appraisal on gas network extension) which are:

(i) To promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland;

(ii) To extend the availability of natural gas, as a more efficient and potentially cheaper fuel, providing additional fuel choice, thus enabling businesses to improve their competitiveness in an increasingly global market place;

(iii) To extend the availability of natural gas as a lower carbon fuel, displacing more polluting fossil fuels, thus providing environmental benefits; and
(iv) To enable domestic consumers within the towns considered to connect to natural gas, thus contributing to reducing fuel poverty.

REPRESENTATIONS ABOUT THE PROPOSED DESIGNATION ORDER MAY BE MADE BY TUESDAY 14th AUGUST 2018 TO GAS POLICY BRANCH, ENERGY DIVISION, DEPARTMENT FOR THE ECONOMY, NETHERLEIGH, MASSEY AVENUE, BELFAST, BT4 2JP OR E-MAILED TO gasbranch@economy-ni.gov.uk