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Ms. Jill Murray
Commission for Energy Regulation
Plaza House,
Belgard Road
Tallaght
Dublin 24

**RE: Response to the Implications for Ireland of Planned Reforms of the
UK Gas Transmission Exit Regime Consultation Paper CER/06/222**

Dear Jill

Thank you for the opportunity to comment on the CER proposals to deal with the forthcoming changes UK exit reform regime.

The pending outcome of the proposed changes in the UK exit reform regime is still very uncertain. The four modifications currently out for public consultation, we believe will have a varying level of impact on the industry participants in the Irish gas market and on the end customers. We feel that that original and the current proposed National Grid modification will have the most negative effect on the Irish gas industry and the Eon proposed Modification 116A having no negative impact on the cost and operational procedures of the current Irish gas market.

The UK regulatory authority plans to issue a decision on Enduring Offtake arrangements sometime in February 2007. This raises a separate issue that Irish shippers will only know the outcome six months prior to the implementation of the exit reform changes, giving a very short time frame to respond to the RA's decision in the best interests of the Irish Gas Industry.

We agree, that in the case of Modification 116 (National Grid) or modification 116B (RWE) being implemented, the CER must take a proactive approach. ESB feel that

with the current level of information available regarding the UK's position and the subsequent knock effect on the Irish system, it is extremely hard to make an informed decision, but we do realise that a wait and see approach is not appropriate in this situation.

Therefore we would support in principle the CER's proposed Option A approach subject to further clarification on:

1. The entity of the single party, whether or not the single party is the Irish transporter or an appointed agent.
2. What are the terms of reference of this single party?
3. How can commercial decisions be taken by the single party on behalf of the Irish shippers?
4. If an agent is appointed who does he report to the transporter or the shippers.
5. How do you see adjustments being made to the current Moffat Administration Agreement (MAA) and the Offtake Profile Notice Agreement (OPN), considering that the parties to these agreements are both UK and Irish shippers.
6. The costs to Irish shippers to set up the single party?
7. System cost and administration costs for the single party to manage flat and flex products?
8. Will the single party book all flat and flexibility capacity for the long term and the short term?
9. How will day ahead and within day capacity products be dealt with?
10. Will the single party book a bundled capacity product on behalf of all Irish shippers?
11. Does the Single Party apply for ARCA's (Advanced Reservation Capacity Arrangements) on behalf of new electricity generation projects?
12. An overriding concern would be the CER's 'involvement' in the regime at Moffat. Any regime agreed would have to be capable of operating on a 'hands off' basis to ensure full commercial flexibility is maintained at Moffat.

One of our key concerns is how one would manage the flexibility capacity product in the new regime, this is a function that no one is familiar with and the operating procedures and methodologies are not clear from the NG business rules.

In the case where option Modification 116A (Eon UK) or Modification 116C (Centrica) are successful, we believe the need for a single agent acting on behalf of the Irish shippers is less warranted, as the flexibility product does not feature in both of these proposed modifications. We would envisage shippers would have significantly less risk exposure.

In the case where there is no flexibility capacity product in the enduring arrangements, we would envisage that Irish Shippers would be able to act on their own behalf to manage their flat capacity requirements in both the prevailing rights mechanism and the capacity auctions, there would be significant less system

complexity and IT & administration costs we would project to be a fraction of that for full National Grid proposal.

Summarising ESB's position, we feel it is extremely hard to fully commit to any of the proposed options to proactively deal with the Enduring Offtake arrangements in the UK, based on the current information we have to date and the level of uncertainty among UK shippers on the enduring offtake decision of the UK regulatory authority body. In our opinion it would be sensible to prepare for the implementation of National Grid's modification No.116 latest version. We would support the Commission for Energy Regulation's Option A subject to the above queries and clarification outlined above.

We hope you have found these comments useful. Please do not hesitate to contact me if you wish to discuss any of the above.

Yours Sincerely

Conor Purcell

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