

Treatment of Economic Bypass

Introduction:

The Bord Gáis Networks (BGN) Connections Policy¹ sets out the terms and conditions applicable to customers connecting to the natural gas network. As per the BGN Connections Policy², Large I&C customers are defined as loads with both annual consumption of greater than 260GWh and a connection pressure at or above 16 barg³. Medium and small I&C customers are defined as commercial enterprises who are not Large I&C customers, but whose primary use of gas is non-domestic.

Current Charges:

New large I&C customers pay the full pipeline and Above Ground Installation (AGI) costs attributable to meeting the load and pressure requirements of the facility in question.

New Medium and Small I&C customers are required to pay a standard contribution of 30% of the estimated full pipeline and ancillary equipment (including AGI) capital costs attributable to meeting the load and pressure requirements of the facility in question including the present value of any attributable upstream reinforcement costs. They also pay a supplemental “economic test” contribution if required.

Customers are liable for **transmission tariffs only** if their load is connected at or above 16 barg and customers are liable for both **transmission and distribution tariffs** if they are connected below 16 barg.

In certain instances it may be advantageous for an existing distribution customer (without changing their load requirement) to seek a connection directly to the transmission system and in doing so avoid paying the distribution tariff (see Fig 1).

¹ <http://www.cer.ie/cerdocs/cer06032.pdf>

² Implemented by BGN in April 2006 following a direction from the Commission for Energy Regulation in accordance with Section 14(3)(b)(i) of the Gas (Interim) Regulation Act 2002

³ 16 barg or above is identified in the Connections Policy as the outlet pressure above which customers will pay transmission tariffs. Typically the loads are connected at 19 barg.

Economic Bypass

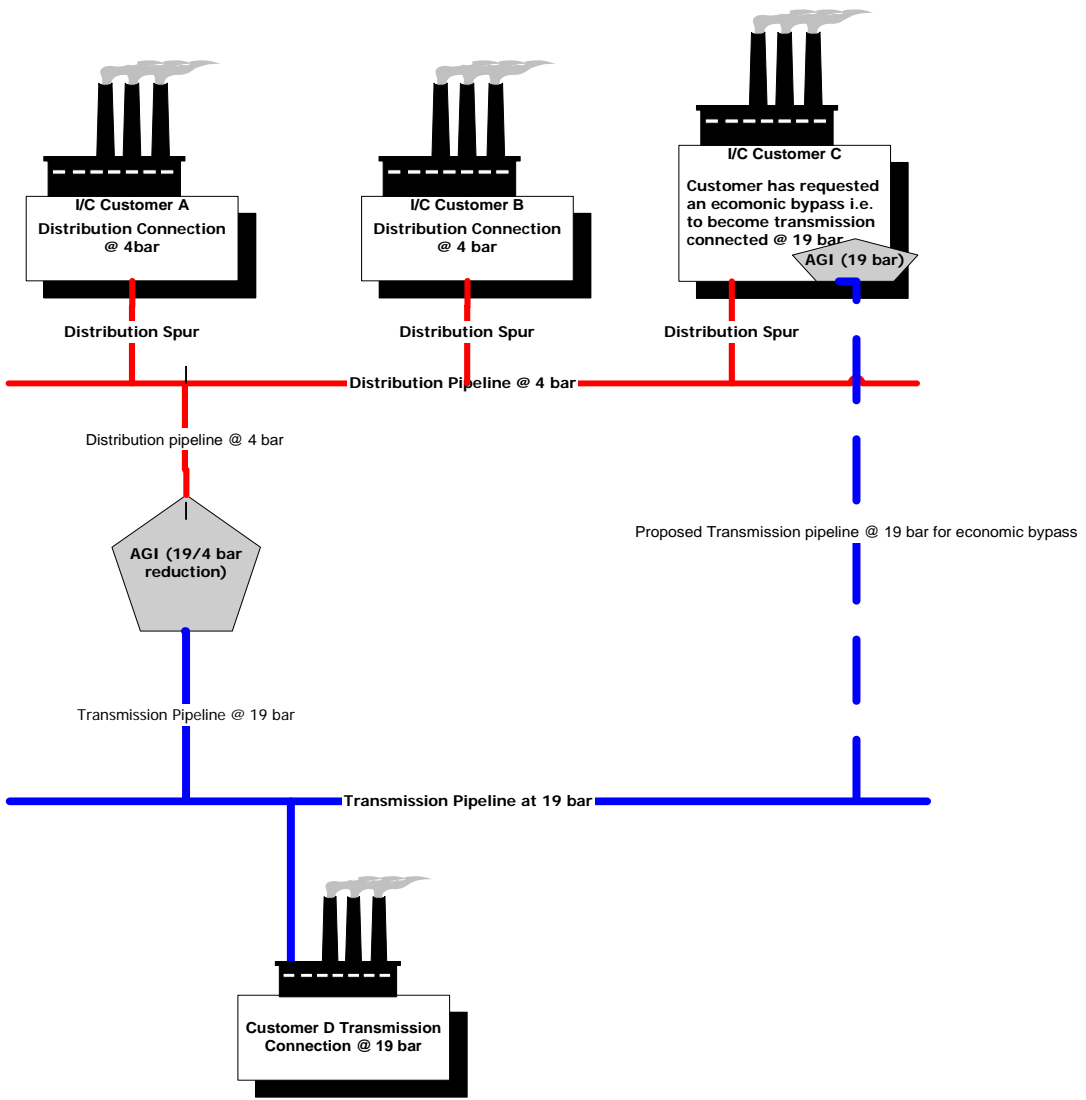


Figure 1. Economic Bypass of the distribution system.

Proposal:

In the event that an existing distribution customer requests such a connection to the transmission network, BGN propose to treat such a request as a service which exceeds the least cost solution i.e. where the existing connection meets the customer requirements for capacity and no new additional load is being added to the system.

BGN propose that in such instances as above, the connection charge will consist of 3 elements. The customer will be required to pay 100% of each:

1. The full connection cost of meeting the load and pressure requirements of the facility from the transmission system. Such costs will include the full pipeline and Above Ground Installation (AGI) capital costs plus the present value of any attributable upstream (deep) reinforcement costs.
2. The residual cost of the stranded distribution asset.
3. The cost of disconnecting the customer from the distribution system.

These charges will become payable upon execution of the relevant connection agreement.