

Mr. Jerry MacEville,
Gas Division,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

24 August 2010.

Via e-mail only

Dear Jerry,

Re: Consultation on Short term capacity tariffs

Vayu welcomes the opportunity to comment on the consultation paper regarding Bord Gáis Networks ("BGN") charges for short term transmission capacity – CER/10/134. We believe this paper should have been published some time ago as the take up of these products has been very poor since their introduction in 2007. We also welcome the fact that a more in-depth consultation on short term capacity products will take place in 2011.

The submission paper clearly demonstrates that shippers are using this product as a last resort and only when capacity cannot be located from other sources. The reduction in the monthly rates is a welcome, but merely token, gesture to the market following the commitment made in the decision paper on trading transmission exit capacity – CER/10/089. We agree with the premise that lower charges could encourage additional take up of the products, however a reduction of approximately 12% during the critical winter months is insufficient to get shippers increase short term capacity bookings on a consistent basis. We believe that the model used in Denmark should be used as a reasonable benchmark against which to price.

It would have been useful to see the uptake of short term capacity products in each of Denmark and France. Equally it would have been useful to see pricing structures in other EU countries with this facility in place e.g. Holland and Belgium.

We understand that a key concern of BGN is that if short term capacity is priced too low that it may cause tariff instability / volatility. We agree with this principle; the market does not want any unnecessary variations in transportation costs where they can be avoided. If BGN wants to get more users of gas at non-peak times it could easily vary the monthly factors applied to the months of May to September, inclusive to reduce prices in these traditional off-peak months.

Paragraph 1(b) of Article 14 of EC 715/2009 - Third part Access services concerning transmission system operators ("TSO") states that TSO's shall provide both firm *and interruptible* third-party access services. The introduction of interruptible products was also mandated by EC 1775/2005.

BGN had issued a number of proposals in the past regarding the introduction of interruptible products in response to this, but they were never introduced. Now that EC 715/2009 repeats this obligation, the CER should now ensure that BGN / Gaslink develop these products.

We should be grateful if you would consider these views and incorporate these views in any subsequent or final decision to be made on these tariffs.

Yours sincerely,
Bryan Hennessy