



Irish Offshore
Operators'
Association

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Mr. Richard Hume
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Gas Directorate
Queens House
Belfast BT1 6ER

Via email

16 December 2011

Re: Mitigation Measures to address Potential Capacity Constraints at the Moffat Entry Point in 2013 / 14

Dear Mr Mac Evilly, Mr Hume,

Thank you for the opportunity to respond to the industry consultation and information paper on the mitigation measures to address the potential capacity constraint at the Moffat entry point in 2013 /14.

Founded in 1995, the Irish Offshore Operators' Association (IOOA) is the representative organisation for the Irish offshore oil and gas industry. Its members are companies licensed by the Irish government to explore for and produce oil and gas in Irish waters. IOOA provides a forum in which its member companies work together to identify and tackle issues facing Ireland's offshore industry. By cooperating and providing a common approach to issues such as safety, the environment, legislation and employment, IOOA proactively assists in the development of indigenous oil and gas resources exploration and production of Ireland's coast.

IOOA member companies may submit separate responses to this and other subsequent consultation papers from the CER.

Please find attached our responses to some the questions that are relevant to our industry in Appendix 1. If you have any questions on the content please do not hesitate to make contact for further follow up.

This response is non-confidential and may be placed on the CER's website.

Yours sincerely,

Simon Stanton



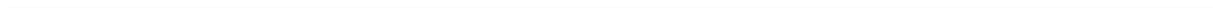
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IOOA Gas Sub-Committee

Cc: Fergus Cahill Chairman IOOA, IOOA Management Committee





APPENDIX 1

Potential Constraint

The consultation paper outlines a potential capacity constraint at Moffat occurring in 2013/14 onwards if indigenous supplies of gas i.e. the the Kinsale storage facility and the Corrib gas field are unavailable. This potential capacity constraint highlights the strategic national importance of indigenous gas sources in maintaining a robust and functioning market. Furthermore it underlines the important role and need of both regulators to stimulate and encourage further development of alternative diverse gas supply sources to enhance Ireland's long term security of gas supply.

IOOA supports the RAs proposed high level principles as outlined in section four of the consultation paper. IOOA is of the opinion that since mid-2011 the Corrib Gas project has received all its major planning permits, it has a clearer trajectory to first gas. Hence the nature of the potential capacity constraint is short term in nature; therefore short term mechanisms should be used to address this potential capacity constraint at Moffat.

It is the view of IOOA that each of the options identified in the referenced consultation paper should have a cost benefit analysis completed and compared against the other options such that the most cost effective solution(s) can be selected to alleviate the potential capacity constraint.

IOOA also observes that historically there appears to be have been a significant investment in Irish gas infrastructure asset base in particular in transmission network relative to demand/customer growth. For example, today the ROI has 2.9825m of transmission network per customer, whereas in GB they have an equivalent 0.3474m per customer. IOOA therefore suggests that an industry group be formed to review whether more investment (and costs that are ultimately borne by the consumer) in infrastructure at Moffat is required or be a priority. IOOA members are, if required, available to participate in such an industry group.

Introduction of Interruptible Exit Capacity Products

Interruptible products are a demand side market based measure that could reduce the potential capacity constraint at Moffat and are identified as a security of gas supply measure under the EU N-1 Regulation (Regulation (EU) No 994 / 2010). IOOA suggests that the RAs consider interruptible capacity products as a potential and legitimate mitigation measure. However, currently in Ireland there are two sources of gas (Inch and Moffat), so interrupting exit capacity will not necessarily lead to a corresponding reduction in gas flow rate at Moffat. Therefore consideration needs to be given to interrupting entry capacity for non-NDM shippers.

Fuel Switching by Gas Fired Generating Stations and / or Large Gas Customers

Fuel switching is identified as a security of gas supply measure under the EU N-1 Regulation (Regulation (EU) No 994 / 2010) where it is viewed as both a demand side market based and demand side non-market based measure. As a consequence the RAs should consider fuel switching as a measure to reduce the potential capacity constraint at Moffat.

Nevertheless the RAs should consider the interaction between fuel switching and interruptible products as potentially both options reduce gas demand from the same consumers. The RAs need to review both options and determine which is most appropriate to the various stages of constraint management (Difficult Day vs. Restricted Capacity Day vs. Emergency) in the Irish market.



Amendment to Shipper Renominations at Moffat

The area of flexibility offered to shippers is one that requires careful consideration. IOOA understands that the rules in the code for flexibility on renominations are not currently applied to shippers. Thus shippers currently have access to additional flexibility to that outlined in the code. Whilst gas fired generators may require flexibility above that flexibility which is in the code, all shippers have signed up to the current code of operations so, at a minimum, the flexibility provided by the current code should be applied to all shippers. If certain shippers require additional flexibility to that currently in the code then this should be reviewed.

Additional flexibility above that given in the code could be offered to all shippers or to those individual shippers that require it but this additional flexibility has a cost. By offering all shippers additional flexibility in a constrained system can give signals that additional investment in infrastructure is required earlier than is actually required as many of the shippers may not require the increased flexibility. Therefore a potential solution is review what the market requires in relation to flexibility and offer two tiers of renomination flexibility; the first being what is currently in the code of operations and the second being the increased flexibility that certain shippers require at an appropriate tariff.

Reinforcement of the Onshore Scotland Network, as proposed by Bord Gáis Networks (BGN)

IOOA has long argued that there has been an over-investment in gas infrastructure in Ireland as evidenced by the underutilisation of the second interconnector at Moffat. If the reinforcement of the onshore Scotland network by BGN were to proceed, it would lead to higher tariffs on the Moffat interconnector. In addition, whilst the reinforcement of the onshore Scotland network may increase the capacity and potentially the reliability of the interconnectors, it will not improve the security of gas supplies from that source.

IOOA views the reinforcement of onshore Scotland as excessive and unnecessary, considering that there are potentially other short term market based solutions available to mitigate the potential capacity shortfall. Under the high level principles outlined in the referenced consultation paper, the reinforcement of onshore Scotland, which will be paid for over the lifetime of the pipeline (normally 50 years), is not proportional to the short term nature of the constraint and the likelihood of the constraint occurring (one in 50 peak gas day and Corrib being further delayed).

Measures involving Gas Storage

No comment

Agreed and Anticipated Pressures at Moffat

No comment
