



15 Windsor Terrace,
Sandycove,
Co. Dublin.

Mr. Jerry Mac Evilly,
Commission for Energy Regulation,
The Exchange,
Belgard Square North, Tallaght,
Dublin 24.

Mr Richard Hume,
Northern Ireland Authority for Utility Regulation,
Gas Directorate,
Queens House,
14 Queen Street,
Belfast, BT1 6ER.

16 December 2011

**Re: Mitigation Measures to address Potential Capacity Constraints at the
Moffat Entry Point in 2013/14 – CER/11/206**

Dear Jerry and Richard,

We are writing in response to the above consultation paper published by the Commission for Energy Regulation and the Utility Regulator (the Regulatory Authorities (RAs)) on the 28th of November 2011.

Summary of Shannon LNG response

The RAs have identified that if a combination of low probability events occur simultaneously in the winter of 2013/14 there is a possibility of a short term constraint on gas supplies to the Island. We suggest that the RAs approach to addressing this potential issue should reflect the short term nature and low probability of the event. We would also point out that the complete lack of information as to the probabilities of each of the underlying events listed on page 12 of the consultation, and the lack of any data as to the size and duration of the supposed constraint make it impossible for any party to give an informed response to this consultation.

The adoption of the BGN proposal of twinning 50 km of pipeline between Cluden and Brighthouse Bay would allow the building of infrastructure that would have a very high probability of being stranded as soon as it is built. It is very difficult to understand why the CER has introduced a consultation which contemplates the construction of more Interconnector capacity when it is still working on a consultation¹ which addresses the alleged excess of Interconnector capacity and the need to avoid stranding some of these assets.

¹ CER/11/112 – “The Regulatory Treatment of the BGÉ Interconnectors” 1st July 2011

The effect of the RAs approving the building of unused infrastructure will raise prices for all Irish gas and electricity consumers while providing no corresponding benefit such as increased competition. Permitting such construction will also have the effect of destroying competition for new natural gas sources to Ireland. This impact is hard to assess, however, because the consultation contains no information which would enable anyone to meaningfully understand what the proposed investment will be or how the costs will be recovered. In the absence of any decision on the regulatory treatment of the current Interconnectors in the pending consultation², we have only the CER's original proposals to rely on, including the principles of no stranding (no matter how ill-advised the investment), and cost recovery through surcharges to all consumers and by default, competitors to the incumbent operator.

The possible constraint identified by the RAs in the winter of 2013/14 is based on a demand forecast with many assumptions involving low probability events, some of which will inevitably fail to materialise or will have very different consequences than the consultation suggests. If the RAs are minded to consider BGN's proposals to twin the Interconnector, the RAs should ask BGN to demonstrate long term market interest in Interconnector capacity through the implementation of an open-season, especially given that most of the Interconnector's gas will be purchased by power generators who are in a position to make very sophisticated judgements as to the degree of risk and risk mitigation they are willing to undertake. This market-based approach would lead to a much more robust planning process and is called for under EU rules governing the natural gas market³.

The recent ESRI Quarterly Report (Autumn 2011) shows that the GDP growth forecast used to derive the industrial and commercial demand and the power generation demand in the Joint Gas Capacity Statement 2011 (JGCS 2011) is unrealistically high. The European Commission recently reduced its GDP growth rate for Ireland for 2012 from 1.9% to 1%⁴ and the Central Statistics Office (CSO) recently announced that GDP reduced by 1.9% in the third quarter of 2011⁵. The RAs should review the peak day gas demand forecast in the JGCS 2011 as the growth forecasts appear overly optimistic based on recent GDP forecasts. We also point out below other inconsistencies in the JGCS 2011.

According to the Gaslink website, there is currently 253 GWh/day (about 800 mmscfd) of uncontracted annual capacity at the Moffat entry point in 2013/14. If gas shippers were in any way concerned there will be a constraint at Moffat in 2013/14 they would have reserved capacity for the 2013/14 Gas Year by now. There is no signal from gas users in Ireland that they require additional capacity to be built at Moffat. Gas shippers have given no indication they anticipate physical or contractual congestion at the Moffat entry point.

The timeframe for respondents to submit comments on this consultation is exceptionally short considering the wide range of issues involved, the almost complete lack of data in the consultation and the long term impact on consumer prices some of the mitigation measures will probably involve. To launch a consultation on such a critical issue which was apparently identified months ago, to fail to provide any meaningful data to assess the alleged circumstances of the constraint, and then to

² CER/11/112 - "The Regulatory Treatment of the BGÉ Interconnectors" 1 July 2011

³ Capacity services, Section 2 of Framework Guidelines, FG-2011-G-001, published on the 3rd of August 2011 by the Agency for the Co-operation of Energy Regulators.

⁴ Irish Times, 15 December, article by Dan O'Brien

⁵ Irish Times 16 December, article by Ciara O'Brien

allow only 15 business days in the peak of the holiday season to respond, all smacks of a “regulatory ambush”.

It is very difficult to understand why industry is presented with a scenario whereby the timetable for decision making on this important issue is driven by BGÉ’s timetable to twin the pipeline in Scotland, not by reasoned decision making informed by properly supported market consultation and engagement with industry. We would urge the RAs not to rush a decision on this important issue and to hold further consultations on the matter. The consequences of this decision will have far reaching implications for Irish gas and electricity consumers for many decades.

As we indicate below, there appears to be a wide range of measures that could readily be adopted that would address the apparent constraint at very low or no cost. If a low cost alternative exists, then the decision on twinning can be deferred for many years as post 2013/14, Corrib will provide all the reinforcement the network needs for the foreseeable future.

Shannon LNG preferred solution to potential constraint

The latest GDP forecast and the lack of contractual or physical congestion at Moffat today strongly suggest that there will be no capacity constraint at Moffat in 2013/14.

However, if the RAs believe there is an issue we suggest the following approach to resolving it.

Step 1

The RAs should require the introduction of an interruptible entry capacity product at Moffat to address the issue, which is required under EU legislation anyway⁶. In addition to requiring the introduction of an interruptible entry capacity product, the RAs should use the tools currently available to them in their respective Codes of Operation to manage gas flows on days of very high gas demand. This approach would be proportional to the issue being faced, does not have long-term cost implications for consumers of gas in Ireland and does not create more long term issues associated with BGÉ building under-utilised infrastructure which has not been subjected to market tests.

Step 2

If step 1 fails to address the potential constraint, we suggest the RAs hold a reverse auction which would allow interested parties to bid in a price for alleviating the potential capacity constraint for the winter of 2013/14. The auction would set out the amount of capacity being sought and the duration of the capacity. Bids could be made on both the supply side and the demand side. For instance, large users who have dual fuel capability could bid in a price for switching to the alternative fuel for a defined number of days. On the supply side, Kinsale Energy could bid in a price to meet the capacity shortfall. We see no reason why BGN could not bid in a price based on twinning the pipeline in Scotland. This approach would ensure the lowest cost for the Irish gas consumer.

Step 2 Alternative

An equally valid alternative to Step 2 is the following approach: the forecast constraint arises because the underlying demand assumes that the economic merit order of power plant despatch will be maintained irrespective of the impacts on the gas market. Stated differently, the peak day power demand (which for purposes of magnifying the

⁶ Article 14 of Regulation (EC) No 715/2009

constraint is assumed to arise on the same day as peak gas demand) is assumed to be met by gas-fired power generators, while leaving some 2000MW of oil-fired power and 500MW of electric interconnector capacity idle. Clearly there is the potential for re-consideration of the despatch rules of the SEM in the face of the extreme circumstances which the RAs and BGE postulate for the gas market. It makes little sense for a physical shortage to arise as a result of an economic decision to keep gas-fired power plants running while leaving other generators idle. Indeed, one could easily question whether the underlying assumptions as to the relationships between gas, coal and oil prices as well as the prices of electricity delivered through the UK interconnectors would be maintained on such an extreme peak day. Indeed, the decision to use long term energy price forecasts to derive this result clearly masks the real world experience of energy markets during extreme transient peak events.

In addition to these specific measures, other approaches which could be considered include:

1. Maximum use of line-pack in the onshore transmission pipeline
2. Restriction of upward re-nominations at Moffat or any of the exit points on the onshore system
3. Utilisation of the fourth compressor at Moffat
4. Reconfiguration of compression at Brighthouse Bay
5. Installation of additional temporary compression at Moffat or at other strategic points throughout the transmission network

Shannon LNG sets out below its detailed comments on the consultation paper. We have used the same titles as those used in the consultation paper to discuss the various subjects.

Shannon LNG detailed response on consultation paper

2.2 Forecast Gas Demand

Industrial and Commercial (I/C) Gas Demand - the ESRI has reduced its GDP forecast significantly

Shannon LNG notes that the ESRI has reduced its forecast for GDP growth in its latest quarterly economic review and the new GDP forecast is much lower than that used in the preparation of the Joint Gas Capacity Statement (JGCS) 2011.

According to ESRI's Winter 2010 Quarterly Economic Commentary (QEC) - on which the JGCS 2011 is based, GDP was forecast to grow by 2.25% in 2012. According to the QEC for Autumn 2011, the GDP forecast has more than halved to 0.9% for 2012. The Joint Gas Capacity Statement assumes that GDP growth doubles from 2.25% to 4.5% in 2013. A doubling of the 2012 GDP growth rate of 0.9% would see GDP growth of 1.8% in 2013.

As the growth in gas demand for the I/C sector is calculated at 80% of GDP in the JGCS 2011, we estimate the JGCS 2011 over-estimates peak day-gas demand in the I/C sector by 0.5 million standard cubic metres per day.

Residential Demand

The growth in residential gas demand is impacted by the new housing builds. Table 3-11 of the 2011 JGCS gives an assumed new build from 2010 to 2020. The year on year growth in new build shows a quite extraordinary increase of 80% in one year – coincidentally in the 'pinch year' of 2013/14. This is stated to be based on ESRI data. We believe the ESRI data referred to is from the National Institute Economic Review

prepared by John Fitzgerald and Thomas Conefrey and specifically Figure 2 of that report⁷. The data in this report is in 5 year blocks. The message in this report is that when the economy returns to sustained growth there will be an increase in housing demand. Taking account of recent economic forecasts, we believe the peak shown in 2013 / 2014 is questionable. We believe that there is the strong possibility that the JGCS 2011 overstates growth in demand and that the RAs should review this subject in light of the ESRI's most recent growth forecasts.

Power Generation Demand

The JGCS 2011 uses the median forecast growth rates in the *EirGrid and SONI All Island Generation Capacity Statement 2011-2020* report.

EirGrid and SONI used a GDP growth rate of 4.6% for the period 2012-2015 in their All Island Generation Capacity Statement 2011-2020⁸. As the ESRI is now predicting GDP growth of 0.9% for 2012, this will substantially reduce the electricity demand forecast. This reduction in GDP growth is likely to lead to a subsequent knock on reduction in peak day gas demand in the power sector. Due to the declining economic situation over the last year, we would urge the CER to base any decisions in this area on the soon to be published *EirGrid and SONI All Island Generation Capacity Statement 2012-2021*.

Figure 3-11 in the JGCS 2011 shows the generator despatch on the peak gas day by fuel type. EirGrid is commissioning a 500 MW electricity interconnector next year, the cost of which is underwritten by the Irish electricity consumer. There is limited use of electricity "imports" in Figure 3-11 from Interconnectors on the peak gas demand day. If the RAs have a genuine concern with respect to a constraint at the Moffat entry point in 2013/14 they could instruct the electricity market operator to purchase electricity in GB and use the full capacity of the 500 MW electricity interconnector. This would be the equivalent of taking 500 MW of CCGT demand off the Irish system and would be a much lower cost option than building a new gas pipeline in Scotland.

As discussed above, figures 3-10 and 3-11 of the JGCS 2011 demonstrate⁹ that on 7 January 2010, it appears there was almost 2000 MW of power generation that was not despatched by the system operator because it fell too high on the despatch merit order. Clearly by adjusting the merit order and especially by maintaining electricity imports from the UK throughout the peak day, substantial gas reductions would be realised, thereby averting any shortages of gas supply in Ireland.

Review of Gaslink Network Development Statement and Power Generation Demand

Shannon LNG has carried out a review of the Gaslink Network Development Statement (NDS). The general observations we have on the NDS peak day gas demand forecast for the power sector are:

- The NDS assumes that the peak demand days for gas and power are coincident, but the actual evidence from 2010 makes this assumption questionable.

⁷ <http://ner.sagepub.com/content/211/1/91.abstract>

⁸ Section 2.2c of *EirGrid and SONI All Island Generation Capacity Statement 2011-2020* report.

⁹ JGCS 2011, page 34

- The only reason there could be a peak demand for gas for power generation on the same day as the 1 in 50 year peak day is because the electricity market operator has chosen to despatch the gas plant under the merit order and ignore physical constraints in the gas system. The electricity market operator could clearly have a role in averting a potential capacity constraint by changing the merit order on the 1 in 50 year peak day.
- There may be merit in introducing a market mechanism to delay the retirement of oil fired plant until the post 2013/14 period instead of the Irish gas consumer underwriting a circa €100 million investment in Scotland¹⁰ to avoid a potential constraint on the gas system that would last only a few days.
- Increasing electricity imports to the 900MW level and maintaining them for the full 24-hour period will eliminate a great deal of gas demand.
- The NDS states that Gaslink engaged with National Grid regarding the contractual and ANOP pressures at Moffat. Since pressure is another driver over the concern of the pinch point in 2013/14 it would behove the RAs to require Gaslink to report the status of these conversations and identify what mitigating measures are available to avoid the assumed pressure drop at Moffat. No such update is provided in the consultation.

3.1 Potential Constraint at Moffat in 2013/14

Page 11 of the consultation paper states:

“As part of the CER’s third gas network price control (PC3), an examination will be carried out in January 2012 on BGN’s proposed reinforcement of the onshore Scotland network including on the assumptions underpinning this proposal, as well as on other demand and supply mitigation measures.”

The single most important criteria in assessing the options presented by the CER to meet the potential winter 2013/14 is the relative cost the different options will impose on consumers, both in the long term and short term. From the above statement, the CER does not appear to be assessing the cost of twinning the onshore Scotland pipeline until January 2012. This approach calls into question the integrity of the consultation process. The CER is asking stakeholders to critically comment on the various options to meet the potential winter 2013/14 capacity constraint without providing the cost and cost recovery data to accompany an option that would have a major impact on gas consumers for the next 50 years.

Each of the risk factors in Table 1 is described only superficially in the consultation and referenced documents. If we are to provide input on the best course of action, a deeper explanation of the risk should be provided by the RAs. For instance, why might the pressure provided by National Grid at Moffat be lower than the Anticipated Normal Operating Pressure (ANOP)? What occurred in the past for the pressure to fall below the ANOP? Why do the RAs believe the NCV is getting lower? Why did the pressure stay above the ANOP during the very cold weather in 2010? The appropriate mitigations to each risk are found in the root causes of each risk.

As a minimum, Shannon LNG would ask the RAs to engage with National Grid to understand the pressure regime National Grid are likely to run at Moffat in the winter of

¹⁰ CER/07/110 estimated the capex of twinning the pipeline in Scotland at circa €100 million.

2013/14 and the nature and costs of a short-term enhanced pressure service, if one is required for that winter.

Table 1 on page 12 of the consultation paper states that a “1-in-50 winter peak demand” is used to identify the potential capacity constraint in the winter of 2013/14. We believe that to analyse the potential winter 2013/14 constraint properly, the CER should publish a load duration curve to show the possible length the constraint might last. For instance, will the constraint last a few days or a few weeks? What portion of the load curve is directed to markets or customers who have switching options (i.e. power generators) and what portion is associated with consumers who have no such choice (i.e. residential gas consumers). The publication of this type of data would assist stakeholders in responding to the consultation in a meaningful way.

The potential constraint in the winter of 2013/14 is short-term in nature. There are a number of short-term steps the RAs could take to address the reasons for the potential constraint outlined in Table 1 of the consultation paper including, including for example, the installation of portable skid-mounted compressors in Scotland to allow for a temporary increase in gas deliverability at Moffat and a short-term enhanced pressure service from National Grid. Yet no such temporary measures are proposed, nor is any data available that would allow anyone to model the potential alternative options for meeting the alleged constraint.

It is stated in Table 1 on page 12 of the consultation:

“Lower Gross Calorific Value (GCV) at Moffat – Network Analysis currently assumes 39.765, in line with typical observations, though lower GCVs have recently been observed”

Records available on the Gaslink website show that the GCV recorded at Gormanston for Moffat gas over the last two years is actually trending upwards – see Appendix 1. The Gaslink data shows that the GCV for Moffat gas averaged 39.8 MJ/m³ between 1 October 2009 and 1 March 2011. Since 1 March 2011, the GCV at Gormanston has averaged 41.8 MJ/m³.

The higher value of 41.8 MJ/m³ would indicate that the energy capacity of the Interconnectors increases by about 5% when compared to the 39.765 MJ/m³ used in the consultation paper. Such a discrepancy between the data contained in the consultation and the actual data on the Gaslink website raises concerns with respect to the other data and assumptions provided in the consultation.

3.2 Forecast Capacity at the Moffat Entry Point

Page 13 of the consultation paper states:

“The network modelling carried out by BGN on behalf of the RAs assumed a flat profile and Anticipated Normal Offtake Pressure (ANOP) of 47 barg and showed a potential constraint at the Moffat Entry Point in 2015/16.”

Shannon LNG is concerned that the party proposing the twinning of the onshore pipeline in Scotland and the major financial beneficiary of an approval by the RAs is also the party carrying out the network modelling to justify the investment. The consultation paper does not describe or discuss the normal checks and balances a regulator would undertake to prevent the inherent conflict of interest in this area, including securing third party validation of the underlying engineering and other data

and assumptions. Nor is there sufficient data that would allow other parties interested in this outcome to undertake these analyses.

As a minimum, the CER should (i) publish all of the technical and engineering data and assumptions used by BGN to arrive at its conclusions so that interested stakeholders may assess the work and (ii) have the BGN analysis reviewed by a third party pipeline design company.

3.2.1 Primary Assumptions at the Moffat Entry Point

Page 15 of the consultation paper states:

“The maximum capacity of Beattock is also based upon a flat flow profile. This assumption is being reviewed by BGN on account of the actual flow profiles observed at Moffat during the peak demand periods experienced in 2010. The actual flow profiles observed at Moffat represent a stepped/swing type flow profile rather than a flat profile.....Based on the existing supply scenarios, BGN’s modelling has demonstrated that the inclusion of up to date profiles at the Moffat Entry Point, i.e. adopting a swing/stepped profile, for the 1-in-50 winter peak day modelling (in conjunction with other primary assumptions noted in Table 1 below) would show a breach of capacity by 2013/14.

The above statement demonstrates that the potential capacity constraint in the winter of 21013/14 is partly caused by shipper renominations on the 1-in-50 day. As a way of addressing the potential constraint, the CER could direct BGN not to accept upward renominations when demand gets to a certain threshold level. It appears from the consultation paper that this measure may avoid the constraint occurring at all.

Part H of the Code of Operations already provides the tools for BGN to manage flows into and out of the transmission system under the rules for a Difficult Day and a Restricted Capacity Day.

4.2 Proposed High Level Principles

Our comments are provided below on the high level principles for respondents to comment upon the merits of potential mitigation measures:

“Security of gas supply

Ensure that gas demand in both jurisdictions is met on both the peak day and during cold weather periods as a result of the introduction of one or a number of mitigation measures”

We believe this principle should be re-titled “Provide capacity for shippers based on their requirements”. In addition, since the CER is also conducting ongoing consultation into the new EU Regulation on security of gas supply¹¹, introducing conclusions regarding security of supply in this present consultation before the security of supply consultation has been completed is premature and unwarranted.

We believe that in the first instance, the responsibility should be placed on shippers/suppliers to provide BGN with an indication of their required capacity reservations in the winter of 2013/14. There is no evidence from the consultation that shippers have indicated they require additional capacity.

¹¹ Regulation (EU) No 994/2010.

“Proportionality

Ensure that any chosen mitigation measure(s) are proportionate to the level of risk, i.e. the probability, consequence and project frequency of the potential constraint”

We suggest that the following phrase is added to the end of the preceding sentence *“and does not create long term regulatory issues in the market such as the likely stranding of assets”*.

“Practicality and timing

Ensure that mitigation measure(s) are not overly complex and can be implemented / utilised by all relevant parties in a timely manner.”

We agree with this principle, but in a debate on complexity versus costs, complexity should win.

“Costs

Avoid unnecessary and excessive additional costs on gas consumers. In the event additional costs do arise and are deemed acceptable:

- *Ensure that these costs do not adversely impact on the efficient operation of the natural gas market and the competitive position of natural gas versus competing fuels;*
- *Facilitate a fair and transparent cost allocation between Ireland and Northern Ireland”*

We agree with this principle.

“Legislative

Ensure that the chosen measure(s) are compatible with national and EU legislative requirements”

We agree with this principle.

“Environmental

Seek to minimise any adverse effects of the chosen measures(s) on the environment.”

We agree with this principle.

4.3 Potential Mitigation Measures
Potential Demand Side Measures
1. A) Interruptible Capacity Products

With respect to the introduction of an interruptible entry capacity product in Ireland, the consultation paper states *“However, it was decided at the time to not systemise the product [interruptible entry capacity] on GTMS due to CAG being in development and due to the absence of congestion on the system”*

As the RAs are now of the view that there may be a capacity constraint (i.e. congestion) in the winter of 2013/14 and as the introduction of CAG has been postponed¹², there is clearly merit in introducing an interruptible entry product at Moffat, not to mention that this is a requirement under Article 14 of Regulation (EC) No 715/2009.

The Framework Guidelines on Capacity Allocation Mechanisms for the European Gas Transmission Network published by the Agency for the Co-Operation of European Regulators (ACER) make the offering of interruptible capacity a mandatory requirement at interconnector points¹³.

The RAs should introduce a priced interruptible capacity product to shippers to overcome the potential 2013/14 constraint. This approach would provide a commercial incentive allowing large consumers of gas to manage their demand to avoid a capacity constraint in the winter of 2013/14. Interruptible capacity products are a well proven method of avoiding short term capacity constraints.

One could imagine that if the consequence of seeking firm capacity was the imposition of a surcharge for the following 50 years associated with the proposed pipeline twinning (which by the CER's own analysis is highly likely to be stranded shortly thereafter), many consumers might find very creative ways to avoid signing up for this type of capacity. As an alternative, if the TSO was unable to secure firm commitments for the expanded capacity, then it would only be able to proceed to add the capacity with the clear understanding that it could only recover the associated costs from users of the new capacity, and would face the full risk of stranding if the capacity later turned out to be redundant.

1. B) Fuel Switching by Power Generators and I/C Customers

The consultation states on page 22:

"Taking into account the extended periods of cold weather experienced in the winters of 2010 and 2011, the RAs ask for respondents' views on the appropriateness or otherwise of extending the amount of alternative fuel to be held by certain stations to more than five days."

Shannon LNG believes that this question should be dealt with under the consultations that the CER is holding on the introduction of the new EU Security of Gas Supply Regulation. It is not appropriate to impose costs on one sector of industry (the power sector) for providing national security of gas supply.

While Shannon LNG has a preference for a market based solution such as an interruptible entry capacity service to address the potential capacity constraint in 2013/14, there may be merit in also progressing solutions under both the (i) *Existing Emergency Managers/TSO Arrangements* and the (ii) *Pre-arranged schedule* options as outlined in the consultation paper.

In addition to the above two options, the RAs should also investigate the potential for switching to non-gas plants that may have spare capacity on the 1-in-50 winter peak

¹² Announcement at Gas Code Mod meeting on 1 December 2011.

¹³ Capacity services, Section 2of Framework Guidelines FG-2011-G-001, published on the 3rd of August 2011 by ACER.

day demand (e.g. oil and coal fired plants) as well as requiring maximum use of the UK-Ireland electricity interconnectors.

An analysis of the power station availability records for 2010 shows that there was significant additional availability from the oil fired power stations on the record gas demand day of 20 December 2010.

2. Amendment to shipper renominations at Moffat

The TSOs already have the tools in place in their respective Codes of Operation to limit within day renominations that result in a stepped profile of gas at Moffat: *“This approach can be achieved by applying the existing arrangements in the respective network codes whereby renominations which cannot be facilitated are rejected.”*

The first step in any mitigation steps should be that the TSOs enforce the rules already in place in their Codes of Operation to maximise the available capacity at Moffat. Otherwise, shippers who are using this renomination procedure and causing the potential constraint are receiving an enhanced service for which they are not paying, thereby violating the principle of cost reflectivity in setting tariff terms and conditions.

Potential Supply Side Measures:

1. TSO investments in network infrastructure in onshore Scotland

The RAs have not provided any details in this consultation paper of the costs of twinning the onshore pipeline in Scotland or the impact this will have on the cost of gas to Irish consumers. It is impossible to comment meaningfully on this option without the cost and tariff data being available.

Section 1.2 of the Framework Guidelines on Capacity Allocation Mechanisms for the European Gas Transmission Network published by the Agency for the Co-Operation of European Regulators (ACER)¹⁴ states that: *“It is recommended that processes for determining incremental capacity i.e. capacity to be made available above the prevailing level of existing technical capacity are consistent with the provisions of these Framework Guidelines.”*

The approach being proposed by the RAs to address the twinning of the Interconnectors in Scotland is clearly in breach of the market based mechanisms described in the Framework Guidelines for capacity expansions.

According to the Gaslink website¹⁵, the level of contracted capacity at the Moffat entry point for the 2013/14 Gas Year is 108 GWh/day. The level of technical capacity at the Moffat entry point is 361 GWh/day. There is therefore 253 GWh/day of spare capacity at the Moffat entry point in 2013/14. If gas shippers were in any way concerned there will be a constraint at Moffat in 2013/14 they would have reserved capacity for the 2013/14 Gas Year by now. There is no signal from gas users in Ireland that they require additional capacity to be built at Moffat.

In the absence of long term capacity contracts to underwrite the twinning of the Interconnectors, the RAs should not allow the twinning of the Interconnectors.

2. Utilisation of Gas Storage/LNG

A) Commercial/Strategic Investment in Gas Storage/LNG

¹⁴ FG-2011-G-001, published on the 3rd of August 2011.

¹⁵ <http://web1.bgegtms.ie/index.html>

We believe the RAs should invite costed proposals from market players such as storage operators (e.g. Kinsale Energy) to provide capacity to address the potential shortfall in the winter of 2013/14. For instance, Table 1 of the consultation paper assumes that Kinsale storage operations cease in 2013/14. If Kinsale were to prolong their storage operations for another year – this would appear to have the potential to be a much lower cost option than twinning of the Interconnectors.

B) Obligations to hold minimum levels of indigenous storage

We do not believe this measure would provide additional capacity in the timeframe required (i.e. winter 2013/14).

3. Agreed and Anticipated Pressures at Moffat

The RAs should engage with National Grid to investigate the feasibility of National Grid providing an enhanced pressure service at Moffat for the winter of 2013/14. As an interim measure the RAs should require Gaslink to provide updates as to the ongoing consultations between Gaslink and National Grid regarding the ANOP and GCV at Moffat.

We would be happy to discuss any aspect of the above submission with the CER at your convenience.

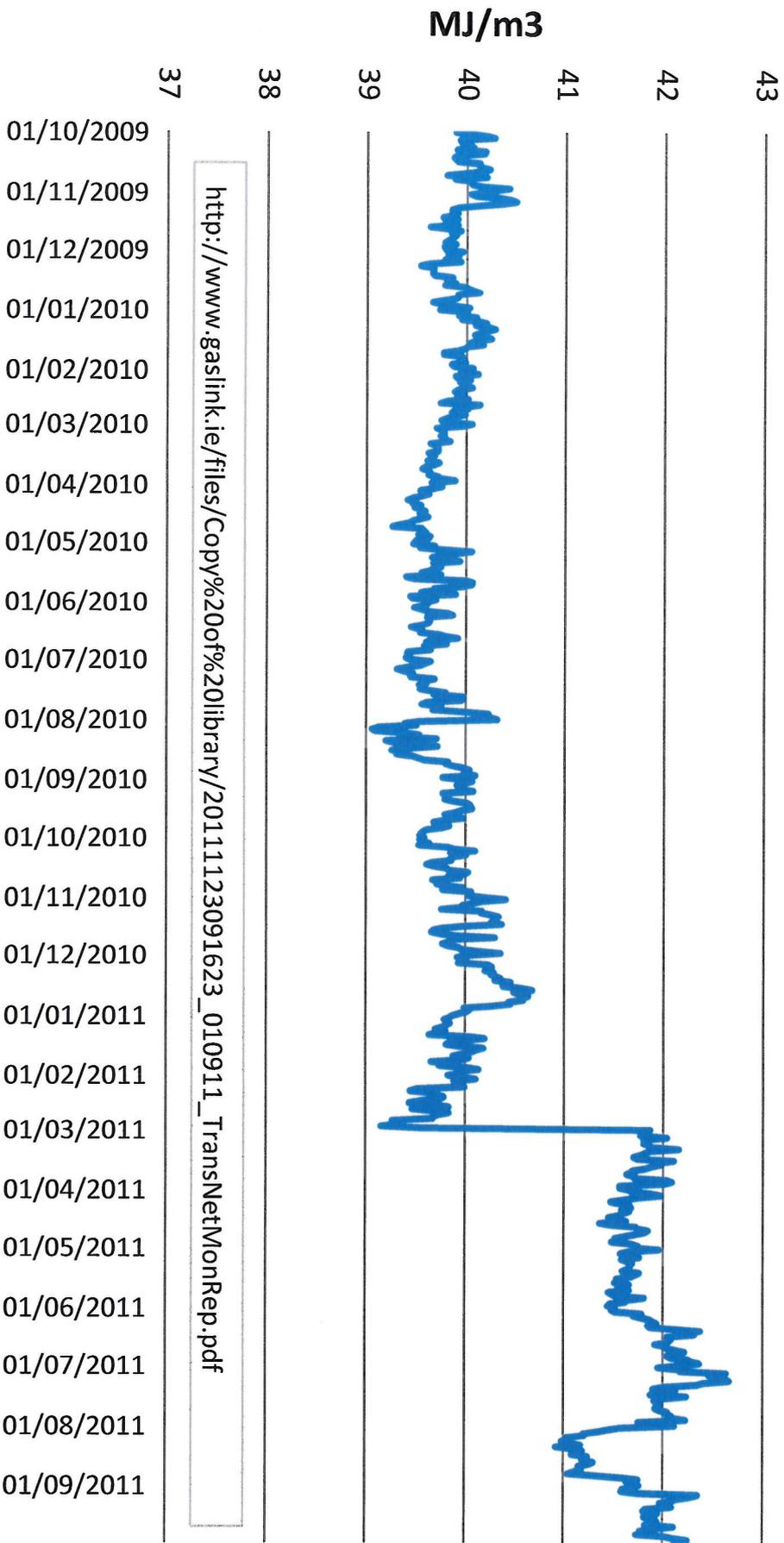
Yours sincerely,



Martin Regan

Appendix 1 – Review of Gross Calorific Value of Moffat gas over the last two years

**Gas CV per Gaslink website for Gormanston Node.
October 2009 to Sept 2011
Transportation Network Monthly Report; Page 5 - Gas Quality**



http://www.gaslink.ie/files/Copy%20of%20library/20111123091623_010911_TransNetMonRep.pdf