



Stuart Coleman
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

16th March 2012

[by email: scoleman@cer.ie]

RE: The Regulatory Treatment of the BGÉ Interconnectors (CER/12/013)

Dear Stuart,

The NEAI welcomes the opportunity to respond to the Commission for Energy Regulation's (CER's) proposed decision paper (CER/12/013), *The Regulatory Treatment of the BGÉ Interconnectors*.

The National Electricity Association of Ireland (NEAI) is an industry body representing a broad cross-section of the electricity generation and supply portfolio on the island of Ireland; this includes the majority of gas shippers on the island. It is the objective of the NEAI Gas Working Group (WG) to consider and address gas market developments on an all-island basis as they pertain to wholesale, transportation and retail matters, and importantly to contribute to the development and competitiveness of the gas market on the island. This is also to be advanced through representing the interests of members at national and European levels.

The NEAI Gas WG has previously responded to the CER's consultation paper on this matter (CER/11/112) and our members remain fully supportive of the key messages contained in that response. The most fundamental of these is the need to ensure additional costs are not placed on shippers arising from the development of indigenous gas resources/facilities. We believe that the imposition of such arrangements would signal a failure of the regulatory process and be contrary to market development objectives. Our response to the consultation paper rejected the stranding of the assets as it would undermine the investment certainty provided by the Government of the day and also rejected the option of no action given the issues. In addition, we stated our view that there was no economic rationale for a diversity premium based on historic costs.

In light of the proposed decision paper, the WG consider this very much the first step in the solution being proposed by the CER. At a high level, the WG welcomes the publication of proposed high-level principles and a proposed high level approach to achieve a solution to the identified problem with the current methodology. While these principles and approach

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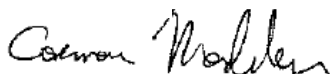
may be capable of achieving a solution compatible with the WG's position, the proposed decision paper does not provide respondents with sufficient detail to enable them to make substantive comments on the proposed approach at this stage.

As stated already, the WG consider this proposed decision paper to be the first step in an iterative process of consultation papers and workshops before a final decision is taken on the details of the proposed final solution. Significant outstanding issues include but are not limited to;

- the methodology for setting the regulated entry tariff;
- the auction model;
- the treatment of under/over-recoveries;
- periods of review; and
- implications for future gas market developments, including new entry points and market integration.

As evidenced by our engagement to date, the NEAI Gas WG is keen to engage with the CER throughout this forthcoming process and to implementing a stable, timely and sustainable model that continues to facilitate market development.

Yours sincerely



Cormac Madden Secretary
General

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