

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

6 July 2012.

via e-mail only

Dear Jerry,

Re: 2012/13 Tariffs for Short Term Capacity and Secondary Capacity Transfers

Vayu welcomes the opportunity to comment on the Commission for Energy Regulation's ("CER") consultation paper "2012/13 Tariffs for Short-Term Capacity & Transmission Exit Capacity Transfers" – CER/12/075. This paper mainly addresses the pricing of summer short term tariff multipliers and devotes a small section of the paper to pricing of secondary products. It is very clear that the pricing proposals for short term products will only benefit a select group of end users of the transmission network – those with summer peaking loads and storage operators.

Summary

Vayu is supportive of the reduction in firm short term transmission capacity tariffs and would favour a decrease to 1/8th of the current rates. We are also in favour of retaining Bord Gáis Energy's ("BG Energy") rates for transferring transmission capacity.

Short-term Tariff Multipliers

The paper is light on what impact this proposal will have for transmission tariffs into the future. It merely notes the expected additional revenues for Bord Gáis Networks ("BGN") of €4.3 million in the absence of secondary capacity transfers at the exit, which is low in the context of BGN's transmission related revenues. The decision paper should disclose the potential effect on tariffs in terms of a euro value per MWh. This should be considered given the work being done elsewhere on PC3 – the process for setting BGN's revenues for the period to September 2017.

According to the paper, BGN carried out analysis on the pricing of short term products for the CER. We believe the results of this analysis should have been published with this paper. It would have given stakeholders a better overall view of the issue. We note that the related papers to the PC3 consultation process have been published.

It appears that the CER wanted to make short term capacity cheaper, but not at the expense of incentivising a change in behaviour of those who usually book long term capacity.

Of the two options to reduce the tariff multipliers, our preference is to favour the reduction in firm short term transmission capacity tariffs and would favour the reduction to 1/8th of the current rates. This will benefit to those whose peak consumption occurs in the summer months and to storage operators. This should lead to lower priced gas for users of storage facilities.

In our view, the CER should also have a renewed in-depth review of short term capacity pricing during shoulder and winter months. If the pricing of such products were to decrease to more realistic levels, it is likely that BGN's revenues would increase by way of additional firm short term capacity bookings, which will help to lower overall transportation tariffs. We also believe that there should be a constant factor to calculate the daily short-term tariff multiplier rates. In winter the rates applied are 1/15th of the monthly rate; in summer and shoulder periods these are 1/20th. We would like to see the summer and shoulder denominator being used for all months of the year.

ST distribution capacity

Given that the CER is looking at a change in the current regime to allow summer peakers take advantage of what is effectively lower network usage, we believe now is the time for the CER to carry out a comprehensive review to allow short term distribution capacity products for similar users. There are a number of users whose peak consumption is during summer months and who are also connected at the distribution level. These sites would enjoy significant benefits from the introduction of this product.

Secondary capacity transfer rates

We believe that the CER should maintain the BG Energy secondary capacity transfer rates at their current levels. The portfolio benefits from optimising a shipper's portfolio of NDM exit capacity is effectively used to reduce tariffs for domestic and small business users and this should continue.

We would be grateful if the CER considers these preliminary views and we are happy to discuss these further.

Yours sincerely,
Bryan Hennessy