

Dairygold Food Ingredients Limited

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

22-02-13

Dear Stuart

Re: Interim Review of BGN Allowed Revenues and Gas Transmission Tariffs for 2012/13

Dairygold welcomes the opportunity to comment on the Commission for Energy Regulations ("CER") consultation paper interim Review of BGN Allowed Revenues and Gas Transmission Tariffs for 2012/13.

The CER published the 2012/2013 Tariffs in Sept 2012. These Tariffs were to apply for the Gas Year October 2012 – September 2013 inclusive as has been the case in all previous Gas Years, this had the effect of providing end users with certainty regarding Irish Transportation charges for a particular Gas Year. Dairygold, like all other Large Energy Users (LEU's) have set their budgets for the gas year 2012/2013 based on the published tariffs.

Under the Code of Operations, any under-recovery of revenue in a given gas year, resulted in an increase in the Irish Transmission/Commodity charges in the **following** gas year. Conversely, when an over recovery of revenue occurred in a given gas year, this resulted in a reduction in the Irish Transmission/Commodity charges in the **following** gas year.

The proposed mid-year adjustment proposed by Bord Gais Networks (BGN) is not in our view within the spirit or letter of the Code of Operations.

In the past, when BGN had an over-recovery in a given gas year either due to increased demand or much colder winters, they did not, to our knowledge, approach the CER to reduce the Tariff within that gas year.

Dairygold, like all other LEU's, are now operating in a difficult economic environment. If the CER accedes to BGN request to increase the Irish Transportation Tariff within the gas year 2012/2013 we believe this will impart undue hardship on users who are endeavouring to continue in business in the current economic environment. Financially, such a move, could, in our view, result in some Company closures (further demand destruction) and/or significant job losses as end users cannot recoup the additional monies from their customers.

The CER granted a 20% increase in Oct12 to apply for the Gas Year 2012/2013, the CER are now proposing a further 13% increase in April 13, which in effect is a 36% increase in a six month period. Both increases against a backdrop of increasing energy prices & tough economic climate will have a knock on effect on the competitiveness of Irish business going forward.

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If Irish businesses are to remain competitive the CER has to protect Customers interests and insure customers are not exposed to this type of price volatility.

It appears that a change in the activities of the Power sector is the main reason for the unprecedented fall off in capacity bookings on the system. As a result the CER is proposing a price increase of 36% for all end-users, this in our view is totally unfair.

Secondary Capacity

As stated in the BGN submission, the CER already decided in March 2012 (CER/12/033) to restrict secondary trading which has been deferred until 2013/2014. We see no reason to now revisit this decision at this time.

We would be grateful if the CER considers our views and are happy to discuss these in more detail.

Yours sincerely

A handwritten signature in black ink that reads "Eamon O'Sullivan". The signature is written in a cursive, slightly slanted style.

Eamon O Sullivan

Director Supply Chain, Dairygold Food Ingredients