

Stuart Coleman
Commission For Energy Regulation,
The Exchange
Belgard Road North
Tallaght
Dublin 24

Date: 22nd February, 2013

Consultation:

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

Dear Stuart,

Electric Ireland welcomes the opportunity to comment on the CER consultation on a proposed gas transmission tariff increase from 1st April 2013.

Electric Ireland strongly supports CER's view not to implement any of the specific options proposed by BGN.

We are concerned however that CER is minded to allow an interim 13.2% increase at this time. The likely effect of this change could translate into a very low single figure increase in the actual overall end use price. The implication for suppliers of having to implement a consequential price rise for retail gas customers, including compliance with relevant tariff change licence conditions, are excessive in our view, given the small scale of overall customer price increase likely to be involved.

An approval for any amendment to regulated system charges half-way through a tariff year could be seen as an exceptional event in Ireland and thus reasonably construed more generally as creating regulatory uncertainty leading to investor unease at a time when increased investment in Ireland is being actively sought.

A critical question which needs to be answered is how this decrease in capacity bookings was not foreseen. Without specifically commenting on the accuracy of the forecasting there does appear, based on the information presented, underlying structural issues with the approach to price setting for gas transmission prices. It is arguable that for such critical/key forecasts a second forecast would be performed in parallel by a reputable and experienced independent third party to mitigate the possibility of error.

If the reality of the situation is as serious as outlined in the CER consultation paper then rather than adopting a short term position Electric Ireland believes that the CER should review, in consultation with industry, how a more enduring solution might be put in place to resolve this issue.

In summary, Electric Ireland does not support the proposal for a gas transmission price increase from 1st April 2013 on the basis that it has negatives, highlighted above, and does not actually fix the true extent of the issue identified. We request, in the best interests of customers, suppliers and market sentiment, no change in tariffs until 1st October when tariffs are reviewed as is the norm. This would provide an opportunity to fully consult and workshop this issue in conjunction with industry to devise a best fit solution.

Regards,

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