

Date: 22nd February 2013

Response to the Commission for Energy regulation document CER/13/034 in relation to Interim Review of BGN Allowed Revenues and Gas Transmission Tariffs for 2012/2013

Glanbia is an international nutritional and cheese group headquartered in Ireland with over 4,300 employees worldwide, with group revenue of over €2.6 billion and significant growth opportunity with forthcoming EU Dairy quota changes post 2015.

Energy cost is *highly critical* to our operating costs and one which has a significant impact on our competitive advantage within our operating market.

We strongly oppose the proposed increase of 13.2% in natural gas transmission tariffs (effective 1st April 2013) for the following reasons:

- The very short notice and lack of any visibility for this proposed increase; this does not allow sufficient time for our business to recover these additional costs this year in our operating market.
- The adverse impact on our cost competitiveness, the proposed 13.2% follows on from a 20% increase implemented on 1st October 2012. With energy costs already representing a very significant element of our operating costs within this country, the proposed 13.2% increase on top of the 20% will apply further pressure on our operating costs in already difficult market conditions.
- The inequity of energy users in the Daily Metered market segment and the domestic market who have not benefited from lower capacity bookings made by Suppliers now being asked to pay a tariff increase as a result of the reduction in capacity bookings in the DM segment and in the power generation sector.
- For the power market, our understanding indicates that the benefit of lower gas transmission capacity costs has not fed through to pool prices. Even in the unlikely event that power prices have fallen as a result of lower short run marginal cost bids, it is unlikely that many electricity users in Ireland will have seen any benefit from this as most will already have agreed fixed price or flexible contracts that are not linked to the SEM pool well before October 2012.

Directors:

L. Herlihy (Chairman), J. Moloney (Managing Director), H. Corbally, M. Keane,
J. Callaghan, W. Carroll, J. Doherty, D. Farrell, P. Gleeson, P. Haran, B. Hayes, M. Keane,
J. Liston, M. Merrick, J. Murphy, P. Murphy, W. Murphy, E. Power, R. Prendergast,
S. Talbot and K. Toland

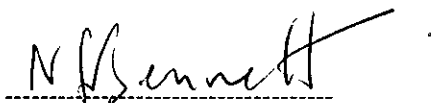
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- As natural gas users in Ireland have not benefited as a result of the reduction in gas capacity bookings, we urge the CER to find an alternative method of addressing the under-recovery of revenue on the part of Bord Gáis. Ideally, the alternative approach would recover the revenue shortfall from Shippers to the Daily Metered sector and the power generation sector, without any impact on Transmission tariffs and on end user prices.
- Irish energy users are already paying significantly more in transmission costs than energy users in the UK and other key European markets and this proposed increase on top of the 1st October 2012 increase will further impose significant issues with regard to our competitiveness within our operating markets.

We therefore urge the commission to look at reducing the burden of an already over-costly system.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Nick Bennett", written over a horizontal dashed line.

Nick Bennett
Group Purchasing Director Glanbia.