

Dairygold Food Ingredients Limited

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Mr James Mc Sherry
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

04-07-2013

Dear James

Re: Access Tariffs and Financing the Gas Transmission System

Dairygold welcomes the opportunity to comment on the Commission for Energy Regulations ("CER") consultation paper Access Tariffs and Financing the Gas Transmission System CER/13/122

Dairygold welcomes attempts by the CER to implement structural changes to ensure that recent interim tariff increases can be reversed.

Tariff increases on industrial customers are reducing competitiveness in these tough economic times and any decision taken by the CER should not pile further costs on a sector that is carrying more than its fair share of the costs required to operate the system.

Reduced revenue is due to changes in the activity of the Power Generation sector.

The 2012 JGCS indicated power sector demand will consistently be over 50% of Peak Day Demand out to 2021. The proportion of the system paid for by power generation should be reflective of the proportion of the system built out to meet its demand.

The CER has the responsibility to ensure the System is paid for by all gas customers on a fair and equitable basis and this means the Power sector has to carry the costs for the proportion of the system built to meet their demands when required.

The Power sector requires the Capacity to be available all year round and if this capacity is to be maintained in the long term then it needs to be paid for by the Power Sector and not cross subsidised by other end users including NDM, DM Users.

The CER needs to be very careful that any remedial steps taken to restrict the flexibility on the Power Generation sector do not adversely affect the large industrial users who continue to carry more than their fair share of the costs.

Wind and the East West Interconnector have resulted in displacing gas generated power on the system.

The CER should look at the reason the Power Generation sector is not booking capacity and try to come to a compromise where Wind and EWIC carry a portion of the costs along with the Power sector when finalising their decision.

The Power sector is selling its generation capacity into the SEM all year round, but only purchasing capacity if dispatched, this arrangement needs to change.

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The Power sector is subject to central dispatch and therefore does not have flexibility in its production, this should not mean the Power sector not carrying its fair share of the costs associated with their capacity requirements.

On the other hand the Industrial sector has varying production levels and can respond to restrictions in capacity, therefore flexibility options should be maintained for the industrial sector.

The CER has not provided sufficient quantitative analysis to support Proposal 1 to remove Secondary Capacity transfers. The CER should stick with Decision CER/10/089 to restrict transfers to within class.

The CER Proposal 2, to remove ability to transfer capacity "Within Day" is welcomed. Continuing within day capacity trading would in effect result in non-power generation gas users paying for the flexibility in the electricity sector to support renewables.

The CER should look at reducing the cost of Winter Base Capacity booking dramatically if they proceed with removing the option of purchasing Secondary Capacity.

Dairygold, like all other LEU's, are now operating in a difficult economic environment.

Any change to the current system should avoid extra costs being passed onto LEU's.

In our view, any extra charges will result in some Company closures (further demand destruction) and/or significant job losses.

The CER granted a 20% increase in Oct12 to apply for the Gas Year 2012/2013, the CER granted a further 10.2% from 01st April 2013. 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.

The CER should look at reducing the Capacity charge for 2013/2014 to offset the exorbitant double increase in 2012/2013.

If Irish businesses are to remain competitive the CER has to protect Customers interests and insure all end users carry their fair share of the costs.

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 and as such this sector has to carry its fair share of the costs.

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".

Eamon O Sullivan

Director Supply Chain, Dairygold Food Ingredients