



14<sup>th</sup> July 2013

Denis Cagney  
Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

cc. James McSherry, John Melvin (by email)

**Consultation Paper CER/13/122 (Access Tariffs and Financing the Gas Transmission System)**

Dear Denis,

On behalf of IBEC's Energy Policy Committee I would like to thank you for the opportunity to respond to this consultation paper. As a guiding principle, the Committee avoids commenting on regulatory proposals for which there are likely to be conflicting interests amongst its members. On this occasion, however, we have been asked by a representative cross-section of those members to make some observations about the consultation process, and to offer suggestions as to how it might be strengthened. We hope this will be regarded as constructive criticism.

Firstly, there is a general consensus within our Committee that the two proposals that CER currently favours, whether singly or in combination, could have major commercial consequences. However, it is far from clear how these proposals were developed and exactly what their consequences would be. We therefore believe that considerably more detailed analysis needs to be undertaken (and published) by the CER before it can prudently proceed with any of the suggested measures. Hopefully this will reduce the risk of challenges to any final decision, and hence improve the certainty of future tariff revenue for the network operator, which is a legal requirement. In framing the scope of additional work that is required, the following observations may be helpful.

1. Purpose of the review

The Executive Summary of the paper explains that a recent trend away from bookings of 12 month primary capacity for the Onshore transmission system will drive further sharp increases in tariffs 'to the detriment of customers'. It then adds that another key consideration is how best to ensure a fair and equitable sharing of the network costs. Our interpretation of this wording is that absolute tariff levels (expressed as Euro per peak day MWh) are CER's main concern, and that ensuring equity between customer groups is a secondary, albeit important, factor. If this interpretation is correct, we would argue that it is not a defensible framework for justifying the removal of regulated capacity products.

2. Scope of the problem

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Following the discussion forum that IBEC convened on 27th June and the electricity/gas workshop that CER held on 3rd July, we would argue that the problem being addressed through CER/13/122 is considerably wider in scope than the paper itself acknowledges. Further analysis should include, inter alia, a number of electricity market issues that underlie the recent changes in capacity booking behaviour.

### 3. Generation and evaluation of options

More detail would be appreciated about how the two 'preferred' options and the three 'alternative' options were identified and assessed. More clarity is needed on the criteria that CER applied in order to rank them. Moreover, it is worth investigating whether (if the scope of the problem had initially been defined more widely) other viable options might have presented themselves. We would argue that, for an issue of such complexity and commercial importance, a substantially greater level of diligence and quantitative explanation is required.

The process would also benefit from the publication of more in-depth legal analysis of the proposals with respect to Regulation No. 715/2009 EC and the Electricity Regulation Act 1999.

### 4. Impact Analysis

The absence of any hard numbers in the paper makes it virtually impossible for stakeholders to assess whether the overall economic impact of these proposals would be more or less detrimental than simply maintaining the status quo. Even if there was a net societal benefit, there could be widely different impacts across the various stakeholder groups. In the particular case of manufacturing firms or CHP plants, for example, it would be helpful to include some analysis of the competitiveness impacts of each proposal.

Relevant questions might include:

- roughly how much would annual fuel bills increase in each scenario?
- what would be the approximate impact, if any, on electricity bills?
- would this result in fuel switching fuel and/or cessation of operations?

In conclusion, we would be happy to facilitate further discussions between the CER and stakeholders within the business sector if this was deemed to be worthwhile.

Yours sincerely,



Neil Walker  
Head of Energy and Environment Policy