

Mr Dermot Nolan
Chairperson,
Commission for Energy Regulation
The Exchange, Belgard Square North
Tallaght,
Dublin 24

11th July 2013

CER Consultations

Dear Dermot,

We would like to respond to a number of consultation documents issued recently by the CER on what we believe are important issues, which will impact both gas and power prices in Ireland in the immediate future.

1. Gas Transmission Tariffs and Financing

In March of this year, the CER approved an increase of 10.7% in Natural Gas Transmission charges, effective from the 1st April 2013. This followed a 20% increase, which had been implemented on the 1st of October 2012.

According to the Bord Gáis submission to the CER, the reason for the latest tariff increase is a result of a projected under-recovery in revenues by Bord Gáis for the tariff year Oct 2012/Sep 2013 as a result of a significant reduction in capacity bookings in both the power generation sector and the Daily Metered sector. According to Bord Gáis, the power generation sector has reduced its capacity booking from 95% of its peak requirement in 2011/12 to just 68% of its forecast peak requirement for 2012/13 while the booking for the Daily Metered sector has reduced from 44% of actual peak in 2011/12 to just 36% of the forecast peak for 2012/13. While a number of factors are behind the reduction in the capacity bookings, a key factor, according to Bord Gáis, is the reduction in the cost of short term capacity from the 1st of October 2012 combined with the continued availability of secondary capacity trading across different market segments.

We are concerned that the change in capacity booking arrangements may lead to a further substantial increase in gas Transmission Charges later this year. Rather than imposing this punitive cost burden on Irish business and on domestic gas users, we believe that the revenue shortfall on the part of Bord Gáis Networks should be recovered from the beneficiaries of the reduced capacity bookings, namely, Suppliers to the Daily Metered segment of the gas market and gas fired power generators. We are therefore urging the CER to re-visit this issue as a priority and to propose a more customer focused remedy.

2. PSO levy 2013-2014

Over recent years, there have been significant year-on-year changes in many of the "pass-through" charge elements of both electricity and natural gas prices in Ireland. As large energy users, it can be difficult to budget for these changes; while uncertainty around future charges can cause considerable difficulty for the appraisal of energy projects and production investment.

We would ask that the CER considers how it might provide an improved forward view of these charges, preferably on a rolling 5 year horizon, ideally updated twice a year, or, as and when material changes occur. In addition to Transmission & Distribution charges for both gas and electricity, we would like this projection to include other key elements such as the PSO levy and the imperfections charge for electricity supply.

With particular reference to the PSO levy and, considering the 51% increase due in October, we would question the inclusion of privately owned and operated generating plant such as Aughinish and Tynagh and their being supported by this scheme when they already benefit from fixed price mechanisms and capacity payments.

3. Imperfections Charges

The cost of funding system imperfections, which include balancing costs and make whole payments for the coming year is estimated at €146.7 million as opposed to €154.9 million for the current year. As a result, the Imperfections charge set to decrease by 6.2%, or 0.029 cent/kWh, excluding distribution losses for the year commencing 1st of October. This is relatively insignificant compared to the increases in PSO levy and the direct impact of the Gas Transmission capacity charge increases and the knock-on effect these will have on power prices.

We trust that our comments will be considered as part of the consultation process and will be pleased to provide further input if required.

Yours sincerely,



John Curran
Head of Sustainability

CC: James McSherry
John Lynch