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25th June 2014

Dear Aidan and Padraic

Cross Border Cost Allocation Agreement - Decision

Thank you for your letter of 23rd May in response to our 'minded-to' CBCA decision on the Gaslink Twinning Project of Common Interest (PCI). We have considered your response in coming to our final decision.

Background

The Utility Regulator recognises the security of supply benefits that the Gaslink twinning project could provide to Northern Ireland and supports the project's PCI status which was granted in October 2013 under Regulation (EU) 347/2013 ("the Regulation").

Article 12 (4) of the Regulation requires National Regulatory Authorities (NRAs) to allocate investment costs across borders following an investment request from project promoters of a PCI.

As such the three NRAs (the Commission for Energy Regulation (CER), Ofgem and the Utility Regulator) are required to come to a Cross Border Cost Allocation Agreement (CBCA Agreement) in respect of the Gaslink Twinning PCI 5.2.

The CBCA Agreement, attached to this letter, sets out the Utility Regulator's decision that there should be no allocation of investment costs across borders in respect of the proposed Gaslink Twinning PCI.

This letter sets out the Utility Regulator's reasoning for coming to this decision. The CER and Ofgem have also provided separate letters outlining their reasoning.

Assessment

In your investment request you have proposed a CBCA of €10.9m to Northern Ireland and €83m to the Republic of Ireland. There is no proposed allocation of costs to Great Britain.

In considering your proposed CBCA, we note that, in their assessment, the CER state that the benefits accruing from the construction of the twinning project could be distributed differently due to the uncertainty of the timing of the Corrib gas field and also due to commercial decisions on other infrastructure projects in the region.

Additionally due to the uncertainty of the allocation of the benefits, the CER note that there is a reasonable possibility that the benefits accruing to Northern Ireland could be below or near to the significance threshold of 10 % of aggregate net benefits, which are referred to in the Agency for the Cooperation of Energy Regulators (ACER) Recommendation 07/2013.

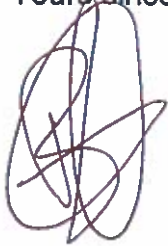
Therefore both the CER and the Utility Regulator are in agreement that there should be no cross border allocation of costs to Northern Ireland.

In light of this agreement and also the assessments set out by Ofgem and the CER, we have not replicated the detailed aspects of our analysis of the CBA here.

Next steps

As required under the Regulation we intend to inform ACER of our final decision. We also intend to publish this letter and signed version of the CBCA Agreement on our website shortly.

Yours sincerely



Brian McHugh

Gas Director