

14 October, 2014

Mr. Colm O’Gormain,  
The Commission for Energy Regulation  
Gas Division  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

Via email: [cogormain@cer.ie](mailto:cogormain@cer.ie)

Re: Response to the Future Gas Entry Tariff Regime Initial Modelling Evidence Consultation Paper CER/14/455

Dear Mr O’Gormain,

On behalf of PSE Kinsale Energy Limited (KEL), I would like to thank the Commission for Energy Regulation (CER) for the opportunity to respond to the above referenced decision paper. Please see below KEL’s response to the above referenced consultation paper.

KEL is a member of the Irish Offshore Operators’ Association (IOOA) and supports the IOOA response which is being sent to you today.

In addition, KEL has the following comments on the specific questions below:

**Q22. Storage - What are stakeholder’s views on the benefits that Storage can provide the transmission system?**

- The security of gas supply to any market is best assured by supplying that market from several diverse supply sources and the importation of gas by pipeline or as LNG, the development of indigenous gas and the construction of gas storage facilities on the island are all examples of diverse supply sources. However, it is only the development of indigenous gas and the construction of gas storage facilities that result in gas molecules being physically located on the island and it is these sources that best ensure the security of gas supplies.

The two Regulatory Authorities quantified the value of security of supply in 2011 in their Stage Two Cost Benefit Analysis and, although their study did not focus on the value afforded by any one facility, it confirmed that such analysis is possible.

- The Kinsale Storage Facility is the only storage facility located on the island and it currently has a working volume of c. 230 mscm and BGN has acknowledged that the continued availability of Kinsale storage has enabled it to defer the reinforcement of the southern part of its network (reference Network Development Statement 2011/12 to 2020/21).

Where it is likely that small developments may defer or negate the need for reinforcement, it is likely that larger developments may trigger such need.

- The growing penetration of wind onto the system is increasing the need for greater flexibility in gas supplies. Gas storage is different to other supply sources in that flows of gas may occur into or out of the facilities and provide this flexibility by absorbing surplus gas from the system at times when the wind is blowing and redelivering that gas onto the system on calmer days.
- The three tariff methodologies currently being considered all smear part of the current exit charge onto all entry points. This means that gas injected into Kinsale storage will have already paid the smeared exit charge beforehand to enter the transmission system and again when the gas is withdrawn from storage. Kinsale storage competes with storage facilities in GB which are not required to pay similar such charges. Hence, applying the smeared exit charge to Kinsale storage will damage the commercial viability of the facility.
- Reports by Poyry (2012) and Waters & Wye (2014) contain quantitative information on the benefits of gas storages and the setting of specific transmission tariffs for gas storages. The benefits identified in the reports include more efficient system investments, more efficient utilisation of compression, temporal debottlenecking and more efficient cross-border gas trade and competition. They conclude that the benefits afforded by having storage connected to the network support setting to zero the entry and exit transmission tariff to and from storages as a default rule.
- The CER propose to introduce its selected methodology with effect from October 2015 whereas the equivalent reforms are not being introduced in Great Britain and elsewhere in Europe until October 2017. Currently, storage facilities in Great Britain pay no exit charge and a nominal entry charge.
- KEL accepts that the entry tariff shall apply to Inch production but believes that a zero exit and a zero entry tariff should apply to Inch storage.

**Q23. General - Are there any other issues stakeholders would like to raise?**

A substantial over-recovery occurred at Inch in year one of price control period three. The CER committed to redistribute this over-recovery to Inch shippers over years two to five of price control period three. How will the over-recovery be provided to Inch shippers for the final two years of price control three when the new tariffing methodology is proposed to be implemented?

On behalf of KEL, I take this opportunity to thank the CER for enabling us to partake in this consultation process. KEL looks forward to working with the CER through the Network Tariff Liaison Group to develop a new tariffing regime for the BGN gas transmission network. This response is non-confidential and can be published as part of the consultation process.

Yours Sincerely,



Brian McGlinchey  
Commercial Manager