



Dear Colm,

ESB GWM welcome the opportunity to provide feedback on the consultation *Twinning of the Southwest Scotland Onshore System in light of potential Connecting Europe Facility grant funding (CER/14/14795)*.

The project involves twinning 50km of pipeline from Cludden to Brighthouse Bay compressor station. This project has been selected as a Project of Common Interest, eligible for EC grant funding, meaning that the nett capital cost of the project for Irish consumers is €60.1M<sup>1</sup>. Gas Networks Ireland has an allowed revenue which is recouped through annual tariffs from users of the gas network. Due to a number of contributory factor such as increasing RE generation, the merit order of coal and imports from EWIC, overall gas network demand has been decreasing on an annual basis (whereas peak demand has increased). The reduction in user demand from the gas network coupled with a fixed revenue requirement has resulted in larger unit tariffs for users of the gas transmission network.

If the twinning project proceeds, Gaslink state that domestic gas users would face a relatively small increase in their bills but the impact to the domestic electricity customer has not been quantified. As CER/14/14795 states that network tariff increases will range from 1.24% to 6.27%, the consequential impact to the power sector must be acknowledged and the impact assessed. ESB GWM feel that given the continued pressures on recovering GNIs RAB as per PC3, that it is not an appropriate time to increase the revenue requirements through additional capital costs for a project that is not required for the medium term.

The project promoter and sponsor state that the primary need for project implementation is security of supply as Ireland would no longer be reliant on a single pipeline for the majority of its gas demand. *The Draft National Action Plan – Gas (CER/12/088), Section 3.3 Risk Analysis, Table 3.1*, examines potential failure modes and length of time for restoration for each failure mode (Table 1).

BGN's view is that if the 50km of unparallelled pipeline was no longer available, a restoration period of 7 days is required. This risk of insufficient gas being available to meet demand could potentially be mitigated if the Transporter considers options such as gas storage in addition to the role of EWIC, coal plants and RE generation. A cost benefit analysis on using storage to mitigate the security of supply risk would be welcomed to provide clarity on the impact to users of the gas network but it would seem logical that this cost would be significantly less than the €60.1M required to twin the SWSOS pipeline.

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<sup>1</sup> It should be noted that despite the project benefit for NI being valued at €6.5M (in NPV terms), Ireland would be allocated 100% of the costs, due to uncertainty regarding dispersion of benefits.



## Generation & Wholesale Markets

Ref No:	Article 6: Infrastructure Standard	Article 8: Supply Standard	BGN's Proposed Length of Time for Restoration
A2	Loss of Beattock Compressor Station	Loss of Beattock Compressor Station	14 days
A3	Loss of compressor hall at Beattock Compressor Station		12 hrs
B2	Loss of unparallelled 50km pipeline in onshore Scotland	Loss of unparallelled 50km pipeline in onshore Scotland	7 days (minimum)
C2	Loss of IC2 subsea pipeline		7 days (minimum)
C4	Loss of Gormanston AGI		2 months
D1	Loss of Brighthouse Bay Compressor Station	Loss of Brighthouse Bay Compressor Station	14 days
E1	Loss of Ballough AGI	Loss of Ballough AGI	2 months

Table 1

The 2014 Network Development Plan envisages the project being required for 2020/21 based on medium term forecasts for supply and demand. Given that these scenarios are indeed forecasts and accounting for future possible developments in the ROI gas market (such as larger flows from Corrib or the availability of LNG), larger supply volumes than forecast could potentially be available. We note that the Shannon LNG was not modelled in NDP 2014 and if the Shannon LNG project proceeds, the peak day demand could be met without twinning. The introduction of additional gas sources into the Irish market means that there is an increased margin of uncertainty surrounding the medium term supply-demand forecasts and questionably does not establish a robust business case to proceed with the investment.

Kind regards,

Karol O'Kane