



Colm O’Gormain
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

127 Baggot Street Lower,
Dublin 2,
Ireland.

RE: EAI Response to CER 15-057

19th of May 2015

Dear Colm,

EAI welcomes the opportunity to respond to the draft decision on the future of gas entry tariffs. EAI members have engaged closely in the process to review the approach to the calculation of gas entry tariffs since its initiation in 2012. We believe that the proposed decision is broadly in line with the stated objectives of the review ie a forward looking cost-reflective methodology which minimises the differential between the marginal entry tariff and other entry points on the system. However, we argue that more comprehensive analysis/modelling is required to definitively assess the impact of the proposed changes for electricity and gas customers. Finally, our members seek confirmation of the anticipated impact of the proposed discount on the respective entry tariffs at both the Inch storage facility and the Isle Man.

Detailed Comments

EAI members propose that further work is required to assess the impact on gas and electricity prices on the island before moving to a final decision. Notwithstanding this concern, we support the Matrix methodology as best capable of delivering the objectives of the entry tariff review and promoting competition in the wholesale/retail markets on the island and the trade of energy cross border. We believe that the this approach can preserve a premium for new and indigenous entry points to the Irish system whilst minimising the entry tariff differential between these points and the marginal source of gas, Moffat; the cost of which is underwritten by all gas users.

Capacity commodity split

We request that the existing split of 90:10 be maintained pending further analysis on the impact of a move to 100:0 and that transitional arrangements be put in place before any move to an alternative capacity-commodity split is considered. We view any move to 100:0 as regressive in the context of an evolving wholesale electricity market where the need for flexibility is moving gas customers away from long term gas capacity bookings.

We propose that the annuitisation factor should be based solely on anticipated capital expenditure. The proposal to include variable OPEX costs in the calculation creates a risk of the double-counting of costs that will be captured elsewhere in the methodology. It is also inconsistent with any move to a 100:0 split.

Entry: Exit split

We support the proposal to split the recovery of annual revenues evenly between the entry and exit points on the island and request confirmation of the impact of alternative split ratios on the diversity premium.

Discount for storage/Isle of Man

We seek further assessment of the anticipated impact on customers of the proposed discount on entry tariff for storage and the Isle of Man. In relation to storage, we seek confirmation of our understanding that a 100% discount for storage would cost €15 million to be recouped from other entry tariffs. Confirmation is also sought on the impact on entry tariffs of the proposed discount to entry tariffs paid at the Isle of Man.

Yours sincerely,



Stephen Douglas
Senior Advisor
Electricity Association of Ireland (EAI)