

Colm o Gormain.
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Flogas Natural Gas Ltd,
Knockbrackhouse,
Donore Road,
Drogheda,
Co Louth

18th May 2015

Re: CER/15/057 Future of Gas Entry Tariff Regime

Our comments in relation to the above Draft Decision are as follows:

Entry/Exit Split

We support a 50/50 split between entry and exit tariffs. We believe that increasing the proportion of costs allocated to 'entry' will be beneficial in that it will facilitate secondary capacity sales and allow shippers greater flexibility in optimising their portfolio.

Capacity/Commodity Split

We are not in favour of the current capacity/commodity split changing to 100% capacity. We believe that a greater proportion of the charges should be commodity based. The result of a high capacity charge is that all the trading risk is passed to the shipper/supplier. Capacity charges represent a fixed cost to suppliers. In the residential market these fixed costs are recovered based on a commodity charge. Hence if volumes are less than expected the supplier loses money. This has very much been the case in recent years as customers reduced usage through economisation. The Transporter is better positioned to deal with any under-recovery of costs as an under-recovery in one year can be recovered the following year.

Storage Arrangements

Inch storage currently receives preferential treatment. The benefits of Inch are not however available equally to all shippers. We recommend that the preferential treatment of Inch storage be retained but solely on the proviso that all shippers can avail of the service on an equal basis. The features of such a system would include:

- A transparent and open system
- Transparent published storage tariffs
- Availability of small lots

Capacity Bookings Moffat and Corrib

We understand that the current proposals do not allow for the ongoing transfer of entry capacity from Moffat to Corrib and from Corrib to Moffat on an ongoing basis. We see no reason why this flexibility should not be provided. Failure to provide this facility may result in shippers having to pay for entry capacity twice. We recommend that this issue be assessed.

Diversity premium

We support the existence of a diversity premium but believe that it should be at the lower end of the possible range. There may be a concern that a high diversity premium apart from possibly resulting in higher retail prices could act as a barrier to entry