



Mr. Colm O'Gormain, Commission for Energy Regulation,
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Dear Colm,

We are writing in response to the Draft Decision paper (CER/15/057) published by the CER on the 27th of March 2015. The CER's Draft Decision does not provide a proper regulatory framework to introduce competition in the wholesale gas sector in Ireland, including competition from low cost LNG from the USA.

By transferring the costs of the pipelines delivering gas from Britain to Ireland onto competing supply points, the CER's Draft Decision sends a clear and unequivocal message to the international LNG industry that the CER does not want Ireland to have direct access to world-wide LNG but instead the CER and the Government have decided that Ireland will rely on pipeline supplies, underpinned by Russia.

Direct access to lower cost world-wide LNG supplies would dramatically improve Ireland's security and diversity of supply position and create real competition to pipeline gas imports, and provide lower gas and electricity prices for consumers.

The Draft Decision contains major cross-subsidies from the users of the Foynes entry point to the users of the Moffat entry point that are **excessive, disproportionate and avoidable**.

The Draft Decision forces users of the Foynes entry point, who would import LNG to Ireland, to pay part of the costs of their competitors who import gas from Britain using the Interconnectors.

The Draft Decision **discriminates** against users of the Foynes entry point in favour of users of the Moffat entry point by substantially and artificially reducing the tariff differential between the two entry points compared to the tariffs produced by the methodology in place today, which reflects the actual cost of transporting gas from the UK to Ireland.

The methodology in the Draft Decision is capable of being arbitrarily changed to distort the market. This about face from the user pays policy implemented by Government in 2001, and the extraordinary regulatory uncertainty created by the CER through the Draft Decision, is a major barrier to foreign direct investment in the gas market.

There are fundamental flaws in the tariff model used to develop the entry and exit tariffs in the Draft Decision paper. For example, the tariff model construction includes fictional and distorting entry and exit pairings such as Foynes / Twynholm, and Foynes / Isle of Man. It is neither technically possible, nor commercially possible, for Shannon LNG to access these fictional entry / exit pairings.

The CER's Draft Decision, and the extraordinary delays in the regulatory process, are seen by the international gas industry as market manipulation to favour the owners and users of the Interconnectors to prevent fair competition between gas supply sources.

Until the CER introduces a proper regulatory framework that allows different gas supply sources to compete on their fundamental economics, the CER and the Government will be seen to have regulated LNG out of the gas market in Ireland.

Yours sincerely,

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