



**Irish Offshore  
Operators'  
Association**

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Mr Daniel Ward,  
Commission for Energy Regulation,  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24

1 August 2017

By email: [dward@cer.ie](mailto:dward@cer.ie)

**Re: Consultation on October 2017 to September 2022 Transmission Revenue for GNI**

Dear Daniel,

IOOA's members would like to thank the CER for the opportunity to comment on the GNI Price Control 4 (PC4) transmission revenues. IOOA's members offer the following comments:

- IOOA's members support the application of the incentive mechanism related to the ambitious targets for new connections and agree that GNI should not get additional revenues unless the growth in connections is achieved.
  - The transmission consultation document (CER17128) references that the efficiency factor could be set between 0.5% to 3% and also states that a top-down benchmarking of transmission performance is difficult due to a lack of comparators; however, this approach was adopted in the distribution consultation paper (CER17127) and concluded that GNI's distribution business appeared to be inefficient. An efficiency factor of 1.75% is proposed to be applied to the distribution business for PC4 while only 1% efficiency factor is proposed for the transmission business. IOOA's members consider that an efficiency factor of 1.75% should also be applied to the transmission business.
  - IOOA's members note that the twinning project is currently being completed by GNI when the project is neither necessary nor appropriate nor efficient. Transmission tariffs are higher than they should be up due to this questionable investment which was approved by the CER solely due to the availability of a grant towards the construction costs of the pipeline.
  - IOOA's members have ongoing concerns regarding both the quality and the scarcity of information provided by Gas Networks Ireland (GNI) to industry. Indeed regulators themselves appear to have considered that at times this information has been misrepresented to the point of being misleading. The Northern Ireland regulator fined GNI £0.5 million in 2016 for providing it with inaccurate information that was intended to be, and was, misleading. The CER also determined that GNI had supplied it with inaccurate information in relation to the same incident but determined at the time that it did not have the authority to fine GNI for the offence. IOOA's members believe that the CER should, as part of the PC4 process, provide itself with the means to sanction GNI should issues raised by industry and endorsed by CER not be adequately addressed within a reasonable period of time.
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- In previous years the annual tariffs and the assumptions used to determine the tariffs were published on a draft basis to allow industry to comment / review the assumptions made. This practise was discontinued a number of years ago and needs to be revisited to ensure that GNI do not make incorrect assumptions in determining the tariffs.
- IOOA's members note that straight line depreciation is used to depreciate an asset and if an asset continues to operate after it is fully depreciated that GNI receive no return on that asset. Our members are concerned that this may create a perverse incentive in which GNI will always replace assets (e.g. equipment with a depreciation period of five years) in the year after the asset is fully depreciated even though the asset may still be fit for purpose and continued operation after the depreciation period.

Yours sincerely,

Brian McGlinchey  
Chairman IOOA Gas Sub-Committee  
Cc: Patrick Shannon Chairman IOOA  
IOOA Management Committee  
IOOA Gas Sub-Committee