



An Coimisiún
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Commission for
Regulation of Utilities



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Ref: D/21/15245

Re: Direction to GNI re gas fired generators seeking connection to the Transmission Gas Network

Dear Denis,

Thank you for your letter dated 4th June regarding the volume of connection enquiries from gas fired generators seeking connection to the gas network. Over the coming years, it is clear that further generation capacity will be required to meet increasing electricity demand and ensure that capacity is available at times of peak demand and when renewable generation is low. We are of the view that gas and the gas network will continue to provide a key supporting role in the move to a decarbonised economy. Gas fired power generation will play an important role in meeting growing electricity demand and new gas fired generators will need to be connected to the gas network in a timely fashion. We appreciate your very constructive proposal in light of the security of supply concerns that will be faced if there are delays to the delivery of this new generation capacity.

The CRU notes the increasing role of gas fired generation in the All-Island Generation Capacity statement and recent T-4 auction results, which should see the capacity of gas fired generation increase to 3.4 GW by the gas year 2024/ 25. Delivery of new gas fired power generation will be important to ensure security of electricity supply. This issue is more critical when we look at the supply deficit the electricity system will face in the coming years. Generation capacity must be available over that period of time and it appears that gas fired generation, if connected in timely manner, can help avoid serious and significant supply issues for the electricity system, unless addressed by new generation coming into the market.

We note the high volume of connection enquiries (16 applications) you have received from generators and the concerns you have in relation to connection timelines and its impact on security of electricity supply. We note that your concerns are linked to the time it is taking for connection agreements to be signed by generators and its impact on when the gas connection can be delivered by (delays in one generally leads to delays in the other). I would like to thank you for proactively raising this issue with us and your proactive efforts to identify the impacts of such delays and potential solutions to them.

The CRU has reviewed your proposal, designed by you to mitigate the risk of delay in connecting these gas fired generators while minimising any financial risks on the gas customer. The proposal sees GNI carrying out detailed design work, deep reinforcement and



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material procurement earlier than normal; before contractual obligations are in place with the generator. The estimated costs for these activities are given as:

Detailed design – €9.1 million
Deep reinforcement - €11.8 million
Material Procurement - €5.4 million

In the event that generators progress with their connection, none of the above costs will be placed on the general gas customers. Rather, they will be charged to the generators in line with the current gas connection policy. However, if a generator does not progress, there may be a shortfall the gas customer would be left to pay. In order to mitigate this risk, the CRU notes that your proposal seeks to commit spend at appropriate times and is proposing to progress with works that would benefit multiple projects. For example, it will:

- target deep reinforcements that benefit more than one project
- seek to procure materials that could be used in other projects, and
- only commence material procurement when “*there is a high confidence of a connection agreement being executed*”

The CRU also notes that the proposal is based on detailed analysis demonstrating “*a low level of non-recovery of capital invested and thus low level of risk to the gas customer*”. The CRU has carefully considered the risk on the gas customer against the benefit of connecting gas generators sooner to assist in mitigating the increasing risk of security of supply issues. The CRU agrees that your proposal places a relatively low risk of additional costs on the gas customer while providing practical benefits to assist in maintaining a secure energy supply for all customers.

On balance, the CRU considers that the benefits to customers outweigh the risks and supports the measures being pursued in ensuring that the gas network continues to support electricity security of supply. As such, the CRU hereby directs GNI, under Section 19A of the Gas (Interim)(Regulation) Act 2002, to implement the proposals as outlined in your letter of 4th June and to monitor their effectiveness. The CRU will assess the most appropriate way to recoup any shortfall in costs during the PC5 decision making process.

Once again, thank you for your engagement on this matter and should you have any additional queries, please do not hesitate to contact me.

Kind regards,

Aoife MacEvilly
Chairperson