

Mr Robert Hull,
Director Transmission,
Ofgem,
9 Millbank,
London SW1P 3GE

Date: 28th April 2006

Ofgem's Transmission Price Control Review ("TPCR")
Third Consultation
Bord Gais Eireann Energy Supply ("BGES") Response

Dear Mr Hull,

Bord Gais Energy Supply ("BGES") welcome the opportunity to respond to the Transmission Price Control Review ("TPCR") and are focusing specifically on the areas affecting us as an off-taker of gas from the UK Transmission Network at the Moffat Interconnector for onward distribution to Irish customers.

To date, as a Shipper of gas to Ireland and an Irish Shipper we have been very strongly opposed to Exit Point Auctions. This position is supported by those involved in the Irish Market, including the Irish and Northern Ireland Regulators.

The rationale for this objection is the overall negative effect on the future development of both the Irish gas and electricity markets that would arise from auctioning UK Exit Capacity at Moffat. Our view as previously communicated to Ofgem / National Grid UK is that the existing arrangements at Moffat work extremely efficiently and should be retained. In addition, the proposed exit capacity allocation regime fails to recognise the security of supply issues that surround Moffat as a unique exit point and the increasing reliance of the Irish market on the interconnector as a main supply point for gas distribution in Ireland. We feel Shippers may not be in a position to commit to long-term capacity due to the nature of competitive markets and end user switching.

BGES continue to hold this view but as expressed previously by our Irish Regulator to Ofgem / National Grid UK, we are interested in finding a solution which will satisfy all parties, and look forward to having further discussions with this in mind.

5. Gas Offtake incentives

Question 5.1: Is our proposed approach for the transitional period appropriate?

The use of firm capacity only in the calculation of National Grid Transco ("NGT") revenue will most likely inappropriately result in continuous over recovery of revenues. It would also effectively result in Firm Capacity holders fully cross subsidising Interruptible Capacity users. We view that Interruptible Capacity should be included in the NGT Revenue calculation, with the Interruptible Capacity revenue reflecting the incremental cost of providing this capacity.

The removal of incentives only has a negative effect in the provision of services. It may be more appropriate to review and amend the incentive to help improve on the quality of service provided by NGT, but outright removal will not benefit the overall industry.

Question 5.2: Do you agree with the assessment, set out in this document, of the high level options in the Second Consultation?

On an overall high level basis a key objective should be that NGT manage the network as efficiently as possible but not to the detriment of users' capacity being restricted. Again we wish to see Moffat Interconnector capacity being available to Irish Shippers without restriction given the security of supply implications for Ireland of any restrictions being imposed on available exit capacity at Moffat. Our primary concern would be that NGT transfer Moffat capacity to another node which requires incremental capacity, thereby reducing the medium term level of capacity available to Irish Shippers.

Irish Shippers have a "1 in 50" commitment and transfer of capacity by NGT between nodes may cause this Irish Shipper obligation to be breached. Such circumstances cannot be permitted to occur.

The Irish Regulator has suggested giving a commitment for capacity requested to be made available at the Moffat Interconnector, which BGES support.

Question 5.3: Is the high level option proposed appropriate?

We do see merit in having end users provide a commitment for NGT investment. This will reduce the risk of under recovery from investment, but this reduced risk should be reflected in reduced return for NGT.

Question 5.4: Do you agree with our thoughts on baselines, revenue drivers and payment flows given an emphasis on user commitments?

The specific proposals seem reasonable as a basis for securing revenue and input capacity for the calculation of tariffs. This however should not mean that capacity to end users is adversely affected in the future due to inadequate investment and/or extensive inappropriate substitution of capacity between nodal points.

Question 5.5: Are the proposals for a gas offtake buyback incentive appropriate?

We are not opposed to NGT having Buy Back options being appropriately used. This however should only be with end users who wish to enter this arrangement.

Yours sincerely

Brian O' Shea
Contract, Supply & Operations Manager