

Lewis Hodgart
Senior Manager Transmission
Ofgem
9 Millbank
London
SW1P 3GE

11th March 2011

Dear Mr Hodgart,

**Gas Transmission Exit Capacity Substitution and Revision
Methodology – Initial Impact Assessment (ref 17/11)**

ESB Energy International welcomes the opportunity to support the development of a secure and economic transmission network.

ESB Energy International brings together the worldwide business of ESB International with our generation, engineering and related businesses within the Irish marketplace.

ESB Energy International has varied interests which as you are aware already has, and will continue to have, interests in shipping gas across the Moffat Interconnector.

ESB Energy International appreciates the methodology for substitution presented by National Grid Gas and can understand its application to the UK's domestic arrangements. However, as independent generators and investors in the UK market we believe that any security achieved from committed capacity should not in anyway diminish the incentive to build or deter entry of new power plants. There is a need to strike the correct balance between the benefits achieved from having capacity demand commitments ahead of time and any additional financial risk that this introduces for new IPPs.

However, the document states NGG's current position relating to the treatment of Interconnectors is to treat it no differently to other exit points, this view is expressed pending the final conclusion being drawn by ERGEG.

ESB Energy International agrees with Ofgem that NGG should continue to monitor the developments of ERGEG which will be binding if agreed under the EU regulation 715/2009. However, ESB Energy International believes that the interconnector should be excluded from the possibility of substitution from the outset of the adoption of any methodology.



Ofgem recognises the concerns at Moffat and has proposed to veto any proposal for substitution made by NGG were it considered to adversely affect the security of supply of either GB or another member state.

ESB Energy International believes that given the importance of security of supply that this should not be reliant on a veto of a submission for approval but should be removed altogether from the substitutability of capacity methodology, this should be the case no matter how small the likelihood of any event occurring as modelled by NGG. The exclusion should be done on the basis of retaining the principle to maintain a robust security of supply provision between member states.

In addition the impact on the GB network makeup from the exclusion of the interconnector from the substitutability calculations will be marginal where as the impact of any change occurring on the Irish side given its magnitude on the system will be significant. This relative impact must be taken onto consideration and exclusion granted.

If for what ever reason such exclusion, in the first instance, is considered not to be in line with the ERGEG framework guidelines then the right to veto should be held by both RAs in the affected jurisdictions, with a single veto being an effective rejection of the proposal.

We would welcome the opportunity to discuss this with you.

Yours Sincerely

John Lawlor
Manager, Strategic Regulation
Strategy & Portfolio Development
ESB Energy International