



An Coimisiún  
um Rialáil Fóntas  
**Commission for  
Regulation of Utilities**

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Mr. Alsarif Satti

Policy Manager  
Systems & Networks  
10 South Colonnade  
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London  
E14 4PU

Dear Mr. Satti,

**Re: Great Britain TAR NC implementation - Article 28 consultation**

Thank you for the opportunity to respond to Ofgem's minded to decision for the implementation of the tariff network code (TAR NC) in Great Britain (GB).

The Commission for Regulation of Utilities (CRU) has reviewed Ofgem's minded to decision in the context of the potential impact on Ireland and in accordance with its mission to protect the public interest. The CRU notes that the GB and Irish gas markets are intrinsically linked via the Moffat Interconnection Point (IP); over 50% of Irish gas demand is supplied via the Moffat IP. As GB gas is the marginal source of gas supply to Ireland, it is generally acknowledged that Irish wholesale gas prices are set by the GB price of gas plus the cost of transporting gas from GB to Ireland.

From the CRU's review of the Ofgem minded to decision, it appears that the proposed removal of the shorthaul charge (a.k.a. optional commodity charge) has the potential to significantly increase the cost of transporting gas from GB to Ireland. On a basic level this would result in an increase in the cost of gas in Ireland.<sup>1</sup> However, the exact effects of Ofgem's minded to decision on the Irish gas market has been difficult to discern. It is the CRU's view that the consultation document does not provide enough detail on the potential

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<sup>1</sup> This would also be expected to be the case for the cost of gas in Northern Ireland and the Isle of Man.



effect of the proposals on the Irish gas market. Given such, the CRU is concerned that network users may not be able to easily understand gas transmission charges and their impact on Ireland and may not be able to calculate the evolution of these charges over time. As you are aware, providing that clarity to network users is a key principle of the TAR NC.

The CRU notes Figure 0.21 of the minded to decision (see section “*Impacts on interconnectors and cross-border gas flows*” of the paper). The figure appears to illustrate an increase in forecasted revenues at the Moffat IP in the period 2022-2030 (net present value increase of approximately £120m). The CRU queries whether this is the forecasted effect of Ofgem’s minded to decision on the combined gas market in Ireland, Northern Ireland and Isle of Man? More clarity on this aspect would be helpful.

In addition, the consultation document does not provide enough transparency regarding the increase in the total transportation cost (on a p/kWh/day basis) for cross-border flows to Ireland (i.e. from the beach terminals to the Moffat IP). As mentioned previously, a key goal of TAR NC is that network users should be able to easily understand the transmission charges and be able to calculate the evolution of the charges. In that regard, Figure 0.7 of the minded to decision compares the annual weighted average tariff at Interconnection exits under the status quo and under the minded to decision. Though that information is generally helpful, it is not necessarily relevant for the Moffat IP and network users providing gas to Ireland and indeed the Isle of Man as well as Northern Ireland. This is because shippers at the Moffat IP have availed of shorthaul and, as we understand it, the vast majority of gas shipped to the Moffat IP and on to customers in Ireland, Northern Ireland and the Isle of Man, has been charged shorthaul rather than the standard network tariffs referred to in Figure 0.7. Given such, the CRU is concerned about the level of transparency being provided as to the changing cost of cross-border flows to Ireland.

The CRU notes that the shorthaul charge has been in place for 20 years and that its sudden removal will likely result in a significant increase in the cost of transporting gas to Ireland. In addition, the CRU notes that Ofgem’s decision is expected in July, which will be after the annual capacity auctions at the Moffat IP. This provides short notice to shippers and could potentially affect commercial arrangements already in place for gas year 20/21. Due to the magnitude of this change and the timing of Ofgem’s decision the CRU is of the view that,



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these practical implications, may warrant a transitional period and that consideration should be given to implementing any changes in the gas year 21/22.

Ofgem's minded to decision has the potential to significantly impact the Irish gas market and gas consumer. The periphery of the Irish gas market (and that of the Isle of Man and Northern Ireland) means that it is particularly sensitive to changes in GB charges, when compared to other markets which have interconnection with GB, i.e. Belgian and Dutch markets. It is therefore the CRU's view that further consideration be given to the effect of Ofgem's decision on network users at the Moffat IP and downstream markets and for sufficient transparency to be provided in that regard. The CRU is of the view that these changes may warrant a transitional period and that this transition should not begin until gas year 21/22. Finally, the CRU appreciates the opportunity to comment on your minded to decision, which reflects the spirit of TAR NC and Article 41.1(c) of Directive 2009/73/EC, which requires regulatory authorities to cooperate "*in regard to cross border issues*".

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Karen Trant', is written over a solid black horizontal line.

Karen Trant  
Director – Energy Networks & Legal