

13th May 2011

Jamie Burke,
The Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

Billy Walker
The Utility Regulator,
Queens House,
14 Queens Street,
Belfast,
BT1 6ED

Dear Jamie, Billy

Re: Consultation on transmission use of system charging

Thank you for the opportunity to respond to and input into the Transmission System Operator's (TSO's) consultation on the implementation of the all-island Transmission Use of System (TUoS) methodology.

On a general point, Bord Gáis Energy (BG Energy) considers that the effectiveness of the consultation paper is undermined by the omission of; detailed analysis of the concepts presented in the paper and also clarity with respect to Grid 25 and its impact on future TUoS charges.

The absence of this detail and indicative tariffs makes it difficult for parties to properly assess the impact of the TSO's recommendations. BG Energy, being mindful that the new tariffs are expected to come into effect on the 1st October 2011, requests that the TSO's provide details regarding future TUoS costs and more analysis of the recommendations proposed before a final decision on the implementation on the all-island methodology is issued.

The remainder of this response comments specifically on the issues and consequent recommendations presented in the consultation paper:

1. Calculation methods for All-Island Generator TUoS Tariffs

BG Energy supports the harmonisation of TUoS on an all island basis. BG Energy contends that for the TUoS to be fully harmonised then both TUoS charges and allowed revenues should both be calculated on all island basis.

With respect to the all-island demand usage split of Republic of Ireland 75%: Northern Ireland 25%, is there a fundamental principle underpinning these figures and can it change in the future if demand and flows change in and between jurisdictions?

2. Fixed Tariff options

The TSOs intention to reduce volatility with respect to TUoS charges is welcomed. As stated a lack of information on these Tariff options makes it difficult to assess properly.

The option to fix the tariff level for generators at today's rates for 5 years will reduce volatility but clarity is required on how the transition from firm to non-firm charges will occur.

For the options of fixing the tariff based on anticipated future requirements, it is very difficult to assess this option without an indicative tariff and the details behind this tariff calculation. The main concern is that non-firm projects will end up paying for firm access potentially long before they attain fully firm access.

For the last option of fixing the tariff relatively, it is not clear how the TSOs proposals will actually reduce uncertainty in generator TUoS. The proposals will not reduce uncertainty year on year due to grid development or changes in demand.

To better reduce volatility, BG Energy considers that it would be better if generators TUoS charges could be fixed at connection offer stage for a period of 10 years. Such certainty would greatly assist generators in preparing a business case for investment in new generation and would more effectively address the issue of volatility.

3. Non Firm Generator TUoS

BG Energy does not agree with the TSO's recommendation that non-firm generators should pay the same level of TUoS charges as firm generators.

A fixed locational MW charge on all generators would not represent appropriate and fair charging. Many gate 1, 2 and pre gate wind farms for instance have been waiting for years for transmission deep reinforcement to provide a firm connection. The development of Grid 25 and the gate 3 process have led to a complete redesign of many of the planned assets leading to further time delays in receiving a firm connection and no certainty on the planned works or program for works.

Furthermore, non-firm generation is not compensated in the market when it is constrained and therefore charging non firm on the same basis as firm generation is unfair. The current system ensures that those non firm generators who are using the transmission system are paying for it as they use it. With high levels of constraint likely to be imposed on many non firm generators due to delays in new grid infrastructure delivery it is not appropriate or fair for these generators to be charged for the use of assets which are either not in place or they do not have a right to use.

4. Charging Distribution Connected Generators TUoS

BG Energy supports the general principle that TUoS costs should not be unnecessarily attributed to small scale generation unless it can be clearly

demonstrated that the connection of such generation is having a material impact on the TUoS costs of other users. Therefore, we request that the TSO's publish breakout analysis of the material contribution made by small scale generation to overall TUoS costs

Conclusion

In conclusion, BG Energy requests that the TSOs publish a further 'consultation' or 'proposed decision' paper outlining:

- Supporting analysis underpinning the recommendations contained in the consultation paper; and
- A schedule of indicative TUoS charges for the next 10 years.

The publication of such a paper would facilitate participants understanding of what are import proposals for the SEM and their impact on the market.

Please do not hesitate in contacting me if you have any queries on the comments raised.

Yours sincerely,

Dermot Lynch
Regulatory Affairs – Commercial
Bord Gáis Energy