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DRAFT

Initial Comments on “Gas Regional Initiative Coherence and Convergence – An ERGEG Public Consultation Paper” (Oct 2007)

BGN are pleased to submit initial comments on the GRI Coherence and Convergence Consultation Paper circulated on 8th October 2007. Please see answers below to the various “Questions for stakeholders”.

➤ 1.2 Regions interact (Common Priorities)

◆ Do you agree that there is sufficient consistency in the common priorities that are being looked at across the three regions to ensure that no real barriers are being created for the future integration of the regions? If not, please explain why.

Yes, BGN agrees.

◆ Given the factors outlined above do you agree that the issue of coherence and convergence within regions than between regions is more important as a first step in gas? If not, please explain why.

Yes, BGN agrees that coherence and convergence within regions should be achieved as a first step prior to developing this across/between regions.

◆ Do you think there are similarities and/or interactions between the electricity and gas sectors that should specially be taken into account when assessing the coherence and convergence level among regions? Please, specify which similarities and/or interactions that should be taken into account.

The model/approach taken within the Electricity sectors can often influence how arrangements are developed within the Gas sector. For example, the development of the Single Electricity Market (SEM) across the island of Ireland, where both markets have been combined into one for the purpose of Electricity generation and supply, results in a Gas market preparing to follow this all-island approach to develop an All Island Market for Gas (AIMG).

In addition, the manner in which the Electricity sector is set up can also influence the types of products to be offered to Gas market participants. For example, the Mandatory Gross Pool and bidding process approach to the Single Electricity Market arrangements has resulted in requests for various new products to be developed within the Gas sector (since many Power Gen’s burn Natural Gas to produce electricity).

➤ 2.2 Interconnection and Capacity

Do you think that the approaches being taken across three regions towards interconnection and capacity are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently?

Yes, BGN agrees that the approaches are sufficiently consistent to avoid creating problems for the integration of the regions.

2.2.2 Transparency

Do you think that the approaches being taken across three regions towards transparency are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently.

It is BGN's opinion that Transparency requirements should vary according to the market in which they are applied. For example, Republic of Ireland and Northern Ireland Transportation Networks are less critical with respect to Cross-Border/Interconnection points than many other European markets (e.g. Germany, France, UK etc). This is due to the fact that there is only one Cross-Border point joining these two Irish markets to the main European market (i.e. Moffat Interconnection point in Scotland), and this is currently a uni-directional flow arrangement. Therefore the Transparency requirements for these markets should reflect this arrangement.

◆ Do you think there would be benefits in rolling out the guidance on "less than 3" to the other regions? If so, are there any regional differences that should be taken into account.

Due to the arrangements in the Ireland market, most (if not all) Relevant Points, as defined in EC1775 Regulation, are single Shipper exit points. Therefore the Less Than 3 Rule will almost always be invoked and will be the norm as opposed to the exception. Therefore there is an argument for not applying this rule in the Ireland Gas Market. This could also be valid for other (smaller) markets.

➤ 2.2.3 Interoperability

Do you think that the approaches being taken across three regions towards interoperability (including balancing) are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently.

Yes, BGN agrees.

◆ Do you think the development of a regional entry-exit system in the South-South East region will lead to any difficulties of convergence with other regions at a later stage? If so, how could these be overcome?

The benefits of the entry-exit system have been measured and it is suggested that this system offers marked advantages to countries already employing this system (e.g. Ireland, England, Wales, France, Italy, Netherlands). To have a regional approach to the entry-exit system in the SSE region must therefore be seen as an advantage, and this should also be spread across the other regions.

➤ **2.2.4 Development of Gas Hubs**

Do you think that the approaches being taken across three regions towards the development of gas hubs are sufficiently consistent to avoid creating problems for the integration of the three regions in the future? If not, please give specific examples of what could be done differently.

TBA

◆ Do you think that the more regional approach to developing hubs in the South-South East region will lead to any difficulties of convergence with other regions at a later stage? If so, how could these be overcome?

TBA

➤ **2.2.4.3 Other Issues**

Do you think there would there be benefits in the MoU being rolled out across the other two regions – or are there adequate arrangements already in place? If it was rolled out would there be any barriers to doing so and how could they be overcome?

BGN believes that it would be an advantage in rolling out this MoU across the other regions to achieve greater cooperation between the National Regulatory Authorities.