

Mr. Gerry Keane,
Acting Head of Transmission,
Bord Gáis Éireann,
Gasworks Road,
Cork.

CER Ref: 12953

30th July 2003

Re: Proposed Move to an Entry-Exit Capacity Regime

Dear Gerry,

As part of its ongoing review of Market Arrangements Principles in the Irish gas market, the Commission recently published for consultation a Bord Gáis paper concerning a proposed move to an entry-exit capacity regime.¹ This paper provided Bord Gáis' preliminary evaluation of the implications of the proposed new capacity definition, and was published on foot of substantive discussions of the topic at GMAG on 26th of November 2002, 16th of April and 17th of June 2003. This paper also set a target date of October 2004 for the implementation of an entry-exit regime, with a resultant deadline of July 2003 for a decision to proceed with the implementation of such a regime.

The Commission has reviewed the Bord Gáis paper, as well as comments made by industry participants both at GMAG and pursuant to the consultation process. In general, interested parties have responded positively to the proposed move to an entry-exit capacity regime, although all are concerned that the new regime should be fit for purpose and not unduly costly. Interested parties are concerned that the new regime should at least retain the flexibility of the existing regime. The Commission supports the views of industry insofar as they seek to achieve maximum flexibility from the transmission system at reasonable cost.

The Commission's Decision

Having reviewed the arguments for and against a change to the capacity regime, the Commission would, in principle, advocate a move to an entry-exit capacity regime. While acknowledging the significant capital cost as well as the potential incremental operational costs associated with such a change, the Commission

¹ Bord Gáis Transmission: *Preliminary Evaluation of an Entry/Exit Regime – Report to the CER and GMAG* (CER/03/134)

feels that the advantages to be gained from an entry-exit regime in the medium term will outweigh the relative costs. The need for increased flexibility in Ireland's capacity regime is universally acknowledged and, irrespective of a move to entry-exit, the advent of TPA to Inch as well as the possible construction of a Mayo entry point will require changes to the capacity regime. Equally, changes proposed at GMAG will necessitate a revisiting of the provisions of the Transmission Code of Operations. The Commission believes that significant synergies may be achieved in implementing such changes concurrently to a new capacity regime. The Commission further acknowledges the support for entry-exit capacity regimes at a European level and, in light of Ireland's pre-existing entry-exit tariff regime, suggests that Ireland is currently well placed to implement this change.

The Commission hereby decides that, subject to further discussions on market rules with members of the GMAG, Bord Gáis Transmission should proceed with the implementation of a move to an entry-exit capacity regime.

Next Steps

In their paper, Bord Gáis set out three scenarios for the operation of the entry-exit regime – these options illustrated the spectrum of flexibility. Option 1, the fully flexible within-day market, was an extremely flexible option, Option 3, gate closure, extremely restrictive, while Option 2, matched nominations with zero nominated balance was a compromise option. The relative amount of flexibility in each of these regimes is set by rules concerning nominations, renominations and balancing.

The consultation process has indicated almost universal support for Option 2 as the most practical option for the Irish market, although this option may be subject to some alteration. The Commission proposes that this option should form the basis of discussions at GMAG concerning market rules under entry-exit.

In advance of these discussions, the Commission would welcome the opportunity to meet with you to discuss the most appropriate means of implementing the new regime.

Kind regards

Yours sincerely,

Paul McGowan
Head of Gas