

The Commission for Energy Regulation Consultation on Natural Gas Policy Framework

Submission from the Western Development Commission

Introduction

The Western Development Commission (WDC) welcomes the publication of the consultation document on a Natural Gas Policy Framework.

The WDC is a statutory body established by government to promote, foster and encourage economic and social development in the Western Region¹. Established in 1997, the Commission was put on a statutory basis in February 1999 following the enactment of the Western Development Commission Bill, 1998. One of the main functions of the WDC is regional policy development. As part of this the WDC seeks to ensure that government policy reflects the needs of the region across such areas as infrastructure, industrial development and natural resources. It also tracks the implementation of policies and recommends adjustments as appropriate.

As part of its role in monitoring government policy and ensuring that it reflects the needs of the Western Region, the WDC regards the improvement of gas networks as an important element in the expansion of energy infrastructure to underpin the economic development of the region. While recognising that the consultation document on a Natural Gas Policy Framework invites comment on specific, mainly technical areas of gas policy, the WDC would like to make some broad comments about the general policy framework for gas and the importance of some of the policy objectives in relation to gas infrastructure provision in the Western Region.

The importance of energy infrastructure

The WDC believe that efficient, resilient energy infrastructure is crucial for western development. Until now, the Western Region has had no natural gas infrastructure. Following the finding of significant gas resources in the Corrib Field, and recognising the importance of the availability of a clean natural energy source as a potential driver of economic development in the region, the WDC held a roundtable on Regional Energy Issues in April 2001. This gathering brought together relevant ministers and key players, including the Commissioner for Energy Regulation, in order to improve understanding of the issues and to raise WDC concerns regarding the implications of the Corrib find for development of the Western Region.

Subsequently, the Western Development Commission's report *The State of the West*, published in July 2001, highlighted the serious deficits in energy infrastructure in the Western Region. In relation to gas infrastructure policy, the following were key conclusions.

- Given that providers of gas infrastructure are commercially driven, government intervention is required to accelerate the extension of the gas grid to centres in the Western Region.

¹ Counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare.

- In situations of market failure, ways of encouraging private sector investment through state support (as in the case of telecommunications) or by fiscal measures should be instituted.

Accordingly, *The State of the West* included the following recommendations.

- Consideration should be given to ways of accelerating the competitive process such as enticements to operators to extend rollout beyond commercially viable areas.
- The issues of prices and tariff structures should be addressed in a regional context so that lower density areas are not disadvantaged by higher prices.

What needs to be done in relation to natural gas policy in the Western Region

The gas network is currently being extended to Galway from Dublin and a further transmission pipeline to bring gas from the Corrib field into the network is at an advanced planning stage. The government is exploring the options for the development of a pipeline to Sligo and the North West. Although backbone gas infrastructure is set to expand rapidly in the Western Region, it is clear that, until the discovery of the Corrib field, the Western Region had no real prospect of a generally available gas supply. Consequently, the development of a network to consumers lags far behind the Southern and Eastern region.

Given the importance of energy infrastructure in underpinning development, the WDC is concerned that regions such as the West, with low population densities and relatively little industrial development, are given due consideration in the development of policies for ensuring access to the gas network.

The CER aims to give all customers the freedom to choose their gas supplier by 2005 and to encourage the continued development of new markets for gas. While recognising the benefits of competition, deregulation and the increased role of private sector in the gas market, the WDC would like to emphasise that this will inevitably mean that developments will take place where they are most commercially viable. Without intervention, this will almost certainly mean that there is little or no investment in less commercially attractive areas. Hence, the CER should consider the impact of this policy for less populous regions.

As the gas distribution network expands and more consumers (both industrial and domestic) gain access to the network, the availability of gas supply will be taken for granted in many regions. In this context the lack of gas infrastructure in other regions may become a further disincentive to investment, thus increasing existing disparities.

Given the current and prospective construction of gas transmission pipelines in the Western Region, the WDC wishes to stress the importance of ensuring that towns that are located close to, but are not connected to the transmission system, gain access to natural gas by the provision of spurs to the backbone pipeline. The WDC would therefore support any mechanism which would encourage the efficient and speedy extension of the gas network, including a competitive process to determine who will construct and operate such new distribution networks.

The WDC recognise that a competitive gas industry can only be realised if there are a sufficient number of players and buyers in the market. At the same time access to gas infrastructure can have long term effects on development in a region, particularly in stimulating industrial investment. This, in turn, can increase potential demand in the region. Intervention to counteract market failure is therefore necessary.

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