

Mr David Lindsay
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

8th September 2016

Dear Mr Lindsay,

The Western Development Commission (WDC) would like to take the opportunity to make a submission to the Commission for Energy Regulation (CER) on “Gas Networks Ireland’s 2016 Ten Year Network Development Plan” (CER/16/235).

The WDC is a statutory body established by government to promote, foster and encourage economic and social development in the Western Region¹. It was established on a statutory basis in February 1999 and operates under the aegis of the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs. 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, natural resources, industrial and rural development. It also tracks the implementation of policies and recommends adjustments as appropriate.

The WDC regards the provision of quality energy infrastructure as an important element of the infrastructure required to underpin the economic development of the region. The WDC has made submissions to previous consultations^{2,3,4} on gas connection policy and has made the case for investment in the gas transmission⁵ and distribution networks in North West in particular, where there is no access to a natural gas network.

In relation to this consultation the WDC would like to make the following points before addressing the detail of Gas Networks Ireland ten year Development Plan.

¹ The Western Region comprises counties Donegal, Sligo, Leitrim, Mayo, Roscommon, Galway and Clare. For more information about the WDC please see www.wdc.ie

² WDC Submission to CER Consultation on Bord Gáis Networks Connections Policy
<http://www.wdc.ie/publications/submissions/#toggle-id-9> (see 2006)

³ WDC submission to the Commission for Energy Regulation (CER) on Gas Networks Ireland proposals on the New Connections Policy <http://www.wdc.ie/publications/submissions/#toggle-id-2> (see 2015)

⁴ WDC submission to the Commission for Energy Regulation Consultation on Natural Gas Policy Framework
<http://www.wdc.ie/publications/submissions/#toggle-id-9> (see 2002)

⁵ WDC Policy Briefing no. 5: Why invest in gas? Benefits of natural gas infrastructure for the North West (2011); Gas for ‘Ineligible’ Towns: A review of the options (2007); Report on Fuel Cost Analysis (2007). See <http://www.wdc.ie/publications/reports-and-papers/>

Benefits of natural gas infrastructure in the North West

Industries in areas without natural gas pay more for energy, lack choice of energy supply and face higher costs arising from the use of more polluting energy sources (including higher rates of carbon tax). Homeowners likewise face higher costs⁶.

The Western Development Commission has continued to emphasise the importance of natural gas connections for towns in the North West, arguing that it would bring a variety of benefits to users, both domestic and commercial, to the towns connected, and to the region. These benefits include the following:

- **Improved economic competitiveness** – natural gas is one of the cheapest energy sources, its use reduces fuel bills for a wide range of industries, even at this time of low oil prices. For example, the most recent published comparison of fuel costs (July 2016)⁷ shows that the Delivered Energy Cost for commercial users of Medium Fuel Oil was **5.94c/kWh** while Natural Gas (medium user) cost **4.08c/kWh**.
- **Reduced greenhouse gas (GHG) emissions** – natural gas is by far the cleanest burning fossil fuel, its use brings reductions in greenhouse gas emissions compared with other fossil fuels. This is becoming increasingly important in the light of the recent Climate Action and Local Carbon Development Act (2015) on a transition to a low carbon economy by 2050.
- **Reduced carbon tax**- because natural gas has lower carbon emissions users of natural gas pay a lower rate of carbon tax than users of alternative fossil fuels such as coal or oil.
- **Other environmental benefits** –natural gas produces very few emissions of particulate matter, so its use brings improved air quality. It also produces virtually no solid waste.
- **Social benefits** –natural gas is currently one of the cheapest and most efficient fuels for domestic heating, and as it does not require bulk purchase, contributes to keeping households out of fuel poverty⁸.
- **Regional Development Benefits**-As the natural gas 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 this context the lack of gas infrastructure can be a disincentive to investment, reducing a region's competitiveness.

The Western Development Commission believes that an efficient, resilient energy infrastructure is crucial for regional development. The link between economic growth and energy demand is well recognized. Reliable energy sources, capable of meeting increasing demand are essential to any economic development. In order for towns in the Western Region to be able to compete for investment and employment, quality, efficient energy sources need to be available, both to attract new industries to regional locations and also to allow those already established to be competitive both nationally and globally.

Indeed, BGE previously noted that

⁶ SEAI Fuel Cost comparison (October 2014). This is the most recent published data. http://www.seai.ie/Publications/Statistics_Publications/Fuel_Cost_Comparison/ Kerosene 9.49c/kWh; Natural gas (medium users) 6.81c/kWh. Natural Gas Band D2 used in comparison.

⁷ SEAI Fuel Cost comparison (October 2014), as above. Medium user: Natural gas band I3>=2,778<27,778 MWh per annum

⁸ Report of the Working Group on Extending the Gas Network, Interdepartmental Group on Fuel Poverty, 2002

Industrial and commercial users favour Natural Gas because it is clean, economical and efficient. Consequently, new industries tend to locate in Natural Gas areas⁹.

Work done by the WDC in 2011 “Why Invest in Gas?” (see footnote 5) showed significant cumulative benefits of investment in natural gas in 11 towns in the North West, at that time valued at more than €21m in savings to users in those towns.

The importance of network development

The WDC argues that it is important to make the most efficient use of the natural gas network in order that gas tariffs remain as competitive as possible and that it is important to have an extensive tariff base and have access to natural gas as widely available as possible.

For this reason the WDC believes that the further development of the natural gas transmission infrastructure and the connection of new towns bring considerable potential to increase the tariff base and the possibility of making greater use of the existing network. The WDC is disappointed that such further development of the network has not been considered in this Network Development Plan

The GNI 2016 Network Development Plan

This document is the plan for the development of the natural gas transmission network over the next decade. It is therefore very surprising that there is no discussion of the expansion of the natural gas transmission network (except to the towns of Wexford, Nenagh and Listowel which has already been agreed).

There is a chapter on the Gas Growth Strategy and on developing growth initiatives to help maintain system demand. While we welcome a focus on CNG for transport and on the development of renewable gas in this chapter, and on gas network growth as a means of reducing fuel poverty, we are disappointed that there is no further discussion of the expansion of the natural gas network to areas which do not have a natural gas network.

CNG connections

The WDC welcomes GNI focus on the development of CNG connection and the promotion of CNG as a transport fuel, we recognize the importance of moving to lower carbon transport fuels. However, if there is to be a focus on the development of CNG use in transport it is important that it is available nationally and widely available beyond the existing gas network.

Furthermore, there is potential to explore how any plans to supply CNG for transport to areas off the natural gas network might, at the same time, be integrated into potential local gas networks which could be developed and might provide a basis for local supply in areas without direct transmission.

It is important that there is consultation and consideration of issues for the development of CNG and its promotion by GNI in areas without access to the natural gas network.

Link to Northern Ireland

While Northern Ireland is not in the remit of this plan the potential to link some towns in ROI with the NI network should be explored. When Strabane and Enniskillen are linked to the NI network (2016 and onwards) there are possibilities for linkages with towns in the North West of the Republic of Ireland. Gas Networks Ireland should be reviewing these options and assessing the potential of these links.

⁹ Gas Pipeline to the West, 2000, Bord Gáis Éireann, 2000, page 4

In addition, a number of towns which qualified for connection under the New Towns Analysis (e.g. Athenry, Knock and Ballyhaunis which qualified in 2006) have not yet been connected and the network development plan does not give any consideration to these towns and their potential for connection in the coming years.

Finally, while the CER has laid down criteria for assessing the connection of new towns to the gas network, it should be noted that where funding is available to cover the amount of the negative NPV such towns may be connected to the natural gas network. The WDC has argued that there are many benefits associated with connection to the natural gas grid which are not captured in the New Towns Connection policy and therefore provision of public funds to aid these connections can be justified. Gas Networks Ireland should be exploring these options as part of their development plan.

We also have some specific comments on the content of the Development Plan for 2016. These are referred to by section and page number.

3.1 pg 10-12. In the description of the Gas Networks Ireland system there is no mention of the fact that the North West does not have any natural gas transmission network and that there are significant areas where natural gas is not available.

10.1 pg 67 Again in Section 10 which discusses the adequacy of gas networks there is no discussion of the significant area of the North West that is without a transmission network and which has important regional towns.

11 pgs 72-78 This chapter on capital investment should include consideration of the possibilities of expanding the natural gas network to areas which are not served with natural gas.

11.3.1 pg 75 The plan notes that the natural gas network will be extended to Listowel, Wexford and Nenagh. There is no discussion of the need to examine other options and means of extending the natural gas network.

11.4 pg 76 In this section of future investment which notes that GNI has been planning the strategic development of the network, there is no mention of the potential to expand the natural gas network to areas which do not currently have a natural gas transmission network. Such an expansion of the network could be considered a key part of the strategic development of the network.

Conclusion

Further development of the gas network in Ireland is important. The natural gas network is a key infrastructure and an asset to regions with such network. The potential for network expansion should be considered as part of the examination of options for widening the tariff base and Gas Networks Ireland should work to explore all potential options in this regard.

Previous work by the WDC (see footnote 5) has made the case for public investment in natural gas infrastructure in the North West stressing the public good nature of an element of this investment especially in relation to the competitiveness of regional industry and the fuel costs for local domestic users.

It would therefore be useful for GNI or Gaslink to explore the possibilities in relation to the following:

- government funding of the public good element of natural gas transmission;
- the possibility of other public funding (from various EU or sources) for such infrastructure
- the potential for further links to the Northern Ireland natural gas network.

Such exploration of the possibilities for network development should form an important part of GNI's strategic development and their Network Development Plan.

The WDC is pleased to make this submission to the CER on the GNI Network Development Plan 2016 Policy. If there are any queries in relation to this submission, please contact me.

Yours sincerely

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