



Mr Seamus Byrne
Commission for Regulation of Utilities
The Exchange
Belgard Square North
Tallaght
Dublin 24

21st November 2017

Dear Mr Byrne,

The Western Development Commission (WDC) would like to take the opportunity to make a submission to the Commission for Regulation of Utilities (CRU) on “Gas Networks Ireland’s Connection Policy Proposals” (CRU/17/297).

The WDC is a statutory body established by government to promote, foster and encourage economic and social development in the Western Regionⁱ. It was established on a statutory basis in February 1999 and operates under the aegis of the Department of Rural and Community Development.

The WDC regards the provision of quality energy infrastructure as essential to underpin the economic development of the region. The WDC has made submissions to previous consultations^{iiiiiiv} on gas connection policy and has made the case for investment in the gas transmission^{vi} and distribution networks, in North West in particular, where there is no access to a natural gas network.

In this submission the WDC first makes a number of general points in relation the consultation and the development of the Connection Policy and then addresses the specific questions in the consultation document.

Making changes to the Gas Networks Ireland Connections Policy

The WDC has a number of concerns in relation to the process of changing the GNI Connections Policy Document and the associated consultation on changes.

The Gas Networks Ireland Connections Policy is the key policy document for the development of natural gas infrastructure in Ireland. However, it seems that, rather than being the subject of regular review, with a broad assessment of potential needs, changes and issues for gas network development, reviews of the Connections Policy take place on an ad hoc basis.

It would be more appropriate for the CRU, in consultation with DCCA and with the public, to hold regular reviews of the Connections Policy, at set intervals so that a longer term view is taken of what is needed in relation to the development of the natural gas network and the connection of customers to the network. Such a process would allow for a wider input and consideration of issues which are not of

immediate concern to GNI but which would be important to the development of the natural gas network in line with government policy, as outlined in the White Paper 'Ireland's Transition to a Low Carbon Energy Future 2015-2030' and other relevant policies (for example the National Mitigation Plan and the National Adaptation Plan).

Instead, the current systems results in consultations on policy proposals made by the network owner and operator (GNI) which lead to a particular view of what should be changed and where the changes are focused on what the provider deems necessary rather than what policy or potential users might be concerned with.

While GNI, and previously Gaslink, and Bord Gáis Networks, have been responsible for the Connections Policy Proposals since 2005, and while we recognize that the development and expansion of the natural gas network is “in the first instance a matter for Gas Networks Ireland ... to develop and/or operate a gas distribution system”¹ the WDC would argue that, despite this, the development of the Connections Policy should not be the responsibility of the network owner.

In addition, while network users, commercial enterprises and citizens may respond to CRU consultations on connections policy they are not in a position to propose changes and so the development of the Connections Policy may be, as noted above, quite narrow in its focus.

The CRU should give serious consideration as to whether the network owner and operator is the most suitable entity to develop the Connections Policy. The WDC does not believe this is the case and suggests that the Policy should be developed by the CRU or DCCAE.

In conclusion, the current method of the CRU consulting on proposals from GNI has, as outlined above, a number of issues. Furthermore, the publication of a consultation document, along with the CRU's views of the proposed changes seems an unusual consultation method. While the regulator is responsible for agreeing the proposed changes, in line with its policy and with due consideration of responses to the consultation, outlining its views in the consultation document does not seem appropriate.

The connection of renewable natural gas facilities to the natural gas network Renewable gas and other technologies

The WDC welcomes Gas Networks Ireland's commitment to the decarbonisation of Ireland's energy system and to progressing the connection of renewable natural gas facilities to the natural gas network. The CRU, in addition to having an obligation to protect existing network customers from risk or fluctuations in charges, also has a requirement to have regard to the need to ensure that grid connection policy takes account of renewable energy policy. Therefore it is important that policy in regard to renewable gas reflects this need and is balanced in relation both to those seeking to make connections and those who are existing customers.

Appraisal period

The WDC believes that a 15 year assessment period strikes an appropriate balance between allowing renewable natural gas facilities to connect to the grid and the needs of the natural gas network customers. However, we do not agree with the GNI suggestion that it could be in line with the period of operation of the RHI scheme or any similar scheme.

¹ <https://beta.oireachtas.ie/en/debates/question/2017-10-03/499/>

Financial Security

The WDC believes that providing financial security for seven years should not be too onerous for renewable gas producers and would still protect existing customers.

Connection costs

In terms of the connections costs and revenues to be associated with appraisal, the WDC does not think that GNI provides sufficient information about how connection of renewable gas facilities will lead to increased demand in the longer term. If such information were available it would be possible to comment on whether the inclusion of 50% of transmission and distribution exit revenue is appropriate. Without this information no comment can be made on this.

Upfront payment

In relation to the upfront payment required, firstly it should be made clear whether, if 30% is required upfront and 70% will be recovered through network charges over a 15 year period, that this 70% is being recovered through an additional charge faced by the connecting customer rather than the standard network charge payable by all customers. This is not clear in the GNI proposal.

Assuming that the 70% is recovered through an additional charge on the customer connecting then the 30% up front charge is reasonable given the requirement to ensure that grid connection policy takes account of the need to connect renewable energy into the network.

The appraisal of group sites as part of the GNI Connections policy

The WDC welcomes the GNI proposal to appraise multiple sites from new customers as a group as this should increase the number of connections on the network and potentially benefit all gas network users in the long term. It would benefit the customer in increasing their access to natural gas at more of their sites and improve their negotiation opportunities. It could also lead to increased use of the network.

The CRU does not favour this proposal as its absence is not expected to result in missed opportunities. However, even if the number of customers affected by this proposal is small it is not clear that including it in the connection policy would negatively affect other natural gas network customers (or at least the CRU does not explain how it envisages that this might occur) and so it seems that, while there may not be significant benefits from its inclusion the Connection Policy, it may provide some benefit overall.

Other issues for consideration in the Gas Networks Ireland Connections Policy

As discussed above, when the reviews of the Connections Policy are not scheduled regularly or take place in response to specific concerns of GNI, there are wider issues which may not come under consideration, which may need to be instigated by the DCCA, CRU or by others.

One such issue which might need to be considered as part of any review of connections policy relates to the connection of new towns. The connection of Ballymahon to the natural gas network announced in June 2017 has raised a number of issues in relation to a general Connection Policy. While Ballymahon has been assessed and GNI has agreed its connection there are questions to be considered:

- What route should a connection to Ballymahon (or other new town to be connected) take?
- Should the least cost option be the only route option considered?
- Should there be consideration of other route options which would allow for connection of other towns in the vicinity?

- Should there be consideration of route options which might, in the longer term, allow for further expansion of the network in the region?
- What size network connection should be made?
- Should it be a smaller scale distribution pipeline to serve only the existing load?
- Should it be a larger transmission pipeline which would serve as a basis for further connections of towns in the future?

The GNI Connections Policy as it is currently structured does not provide a context for consideration of these important issues but they should be an integral part of a broader connections policy considering the role of gas infrastructure in the widest societal sense.

The question of long term development of the network is important and is relevant across the country and it would have been particularly useful to have had such a policy in place when connections to Listowel, Nenagh and Wexford were being made. There is now an opportunity for such a policy to be developed as the process of making the connection to Centreparks in Ballymahon gets underway.

In a similar way that the new connection to Ballymahon has raised wider issues for new towns connections, the study (recently commissioned by DCCA) of the wider costs and benefits of natural gas network extensions, including possible climate and decarbonisation aspects as well as regional and rural development benefits such as supporting rural centres, may do so too.

The findings of the study may influence government policy and lead to further grid development and should be considered as a part of a wider natural gas connection policy. Similarly government policy in the White Paper 'Ireland's Transition to a Low Carbon Energy Future 2015-2030' and the National Mitigation Plan envisages using natural gas rather than coal and oil as part of the move to a low carbon economy over the next decades. The Connections Policy needs to be responsive to government policy and therefore the CRU and GNI along with DCCA, need to consider how these should be taken into account the natural gas network Connections Policy.

Conclusion

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

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.

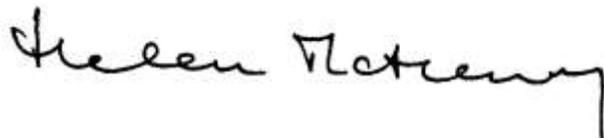
The WDC regards this review of the connection policy as being a missed opportunity. It takes a very narrow focus and only proposes changes in relation to renewable gas connections and connecting multiple sites, while there are other questions around the development of the natural gas network which need to be considered, specifically the route of connections to new towns to increase the potential for connecting adjacent towns; and the sizing of new town connections so that in future should adjacent towns qualify for connection this can be done easily and at least cost.

Previous work by the WDC (see endnote vi) 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. Exploration of the possibilities for network development should form part of a broader Connections Policy which would reflect wider issues in relation to the connection of new towns and new customers.

The WDC is pleased to make this submission to the CRU on the proposed amendments to the Gas Networks Ireland Connections Policy Proposal. If there are any queries in relation to this submission, please contact me.

Yours sincerely



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

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

ⁱⁱⁱ 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)

^{iv} 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)

^v WDC submission to the Commission for Energy Regulation Consultation on the Ten Year Network Development Plan 2016
<http://www.wdc.ie/wp-content/uploads/WDC-submission-to-CER-on-GNI-10-year-Development-Plan-2016-8.09.16.pdf>

^{vi} 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/>