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**Ref: "Common Arrangements for Gas – Security of Supply"**

Dear Robert,

Bord Gáis Strategic Investments (BGSI) and Storengy (a company of GDF Suez) welcome the opportunity to respond to the consultation paper 'Common Arrangements for Gas – Security of Supply'. BGSI/Storengy are jointly progressing their "North East Storage (NES)" development in Northern Ireland and as such we submit the following response concentrating on the questions on gas storage in light of our project.

Gas storage can play a key role in enhancing security of supply (SOS) of gas for the island of Ireland. The importance of enhancing security of supply was recently underlined by tensions in Eastern Europe and the ensuing supply shortages in countries without sufficient storage capacity. BGSI/Storengy believe the regulatory arrangements should have an appropriate balance between the security of supply requirements on the island and creating a positive investment environment for suppliers/shippers and potential storage developers.

**10. Should storage operators be required to hold minimum levels of storage?**

No, BGSI/Storengy believe storage operators should remain pure infrastructure players. The storage operator risks should be in construction, operation and commercial areas only.

### **11. Should shippers/suppliers be required to hold minimum levels of storage?**

BGSI/Storengy believes it would be a sensible option to make shippers and/or suppliers hold a level of storage and thus be equally involved in gas SOS policy. This obligation could be refined by determining the level of this obligation in relation to the Suppliers' portfolio of customers. This option would be consistent with arrangements for gas storage across other European countries.

In addition, this option would facilitate investment decisions by creating a relatively stable demand for an appropriate share of the total capacity developed by storage operators.

### **12. Should storage stocks in GB storage facilities be considered an appropriate security of supply measure?**

Security of Supply can be looked at in two different ways: (i) as a supply of gas (molecules) issue and (ii) as an infrastructure issue.

Where there is a partial reduction of gas supply into GB and subsequently Ireland, gas held by Irish Shippers in GB storage facilities could be considered as an adequate SoS measure as this gas can be withdrawn upon request and transported to the Irish market.

However should a gas emergency occur in GB Irish shippers may have difficulty accessing their gas in GB storage as the National Emergency Co-ordinator (NEC) can direct storage operators to prevent the withdrawal of gas by shippers.

In the unlikely event that there is an infrastructure failure at the interconnection point with GB, gas held by Irish Shippers in GB storage cannot be considered as an appropriate SOS measure, as it may not be possible to transport the gas to Ireland.

### **13. Would obligations in relation to storage distort the Irish gas market?**

If obligations were put on Shippers in Ireland to hold minimum levels of storage capacity (in proportion to their supply portfolios) then a key issue will be how a withdrawal of the gas held under this obligation is triggered.

If, through one of the two scenarios listed in 12, above, an overall reduction in gas flows into Ireland occurs then if this triggered a withdrawal of gas from Irish Storage facilities, we believe this would not cause a distortion as it would quite simply balance supply and demand.

If however price spikes or overall significant price increases occurred in the gas market, even though there may be adequate gas available, if this triggered a withdrawal of gas from storage (held under shipper obligations) we believe this could cause a distortion as it would be a regulatory interference in the wholesale gas market.

**14. Are there sufficient incentives in place for the commercial provision of adequate storage?**

To incentivise storage developments, ensuring the regulatory framework remains reasonably stable over time will reduce the risks undertaken by the investors and allow storage infrastructure in Ireland to be built on time.

The regulatory policy on the transmission tariff regime which encompasses gas storage will be a key element to incentivise gas storage development. A clear and sensible tariff regime will be required which allows gas to flow within the Irish system without jeopardising storage facilities competitiveness.

Under the current arrangements for gas storage in the ROI there is a third party access exemption in place. A clear signal indicating continued support for this approach would be required.

An all island market will facilitate the usage of storage to meet flexibility on the island, wherever it is located.

Given the relatively modest size of the gas market on the island however, any gas storage facility built should be able to compete on a level playing field with GB gas storage facilities. Any arrangements which can facilitate this should be given consideration including virtual swaps of gas at Moffat. Physical flows of gas to GB could also be considered.

In several instances in GB planning approval for strategic projects were quite protracted. Streamlining procedures for planning approval of gas storage projects would be important in order to avoid unreasonably delaying gas storage development.

Regards,

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