

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

11 October 2017

Dear Mr Byrne,

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 Network Development Plan 2017” (CER/17/278).

The WDC is a statutory body established by government to promote, foster and encourage economic and social development in the Western Regionⁱ. It 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 argued 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 relation to this consultation the WDC first addresses the Gas Networks Ireland Network Development Plan and then makes further comment on the importance of network development.

The GNI 2017 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 possibilities for expansion of the natural gas transmission network. The extension of the network to Centreparks in Ballymahon is not mentioned in the Plan although it was publically announced in June 2017. The only new connections noted are to the towns of Wexford and Nenagh which nearing completion and to Listowel which is in its planning phase and expected to be operational in 2018.

There has been discussion in the Oireachtas and the media about the route of the connection of Ballymahon to the natural gas grid, the sizing of the connection, and whether there would be potential in the future for further connection to Longford town and onward to Carrick on Shannon. It is of serious concern to the WDC that while these important issues about the expansion of the natural gas grid infrastructure are being discussed (and there are questions on the issues in the Dáil) there is no reference made *at all* to them in the Ten Year development Plan.

It seems that new connections are not envisaged in any of the ten year development plans until they are already in progress (as was the case previously for Listowel, Nenagh and Wexford) and connections are agreed and known publically before they appear in the Plan. This makes the consultation process and even the 'ten year planning process' somewhat ineffective.

Connections to towns are a matter of public interest and regulated by public policy and where connections are being considered this should be made public even if the connections are not ultimately made. As the Plan notes (pg3 and pg 06), network extensions to towns, and the desire for them, highlight the competitive contribution gas brings to industrial, commercial and residential sectors.

Similarly, there is no discussion of the study being commissioned by DCCAIE on the impact of gas networks in rural areas. While the outcomes and findings of this study are, of course, as yet unknown they may influence government policy and lead to further grid development in the next ten years. However, the study is not even referred to in the ten year development plan. It is not expected that there would be any commitments in the Plan this year but the potential expansion of the grid should be very important to Gas Networks Ireland in the future and discussion of possibilities should be included in a strategic planning document as are the possibilities for new technologies such as hydrogen, Power to Gas (P2G) and Carbon Capture and Storage (CCS).

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. The WDC welcomes the recognition that in areas not connected to the natural gas network, CNG can be supplied in a similar way as diesel is supplied to service stations, by transporting it by road but this process and development of stations off grid must be essential elements of any plan to use more CNG in commercial vehicles.

Renewable gas and other technologies

The WDC welcomes that Gas Networks Ireland is committed to the decarbonisation of Ireland's energy system and is actively investigating key transformational technologies to decarbonise the gas sector by 2050, including Renewable Gas, Smart Metering, Carbon Capture and Storage, Power-to-Gas and Hydrogen for heating and transport. It is important that developments in these areas also take into account the needs of regions and rural areas which are not connected to the natural gas grid. It is essential that there is consultation and consideration of issues for the development of CNG and other technologies in areas without access to the natural gas network.

While we welcome the exploration of new renewable technologies we are 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.

Other issues relating to the development of the gas network

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.

While the CER 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.

Although Northern Ireland is not under the remit of this plan the potential to link some towns in ROI with the NI network should be explored now that the connection to Strabane is in place and other connections as far as Enniskillen are being planned. There are possibilities for linkages with towns in the North West of the Republic of Ireland and Gas Networks Ireland should be reviewing these options and assessing the potential of these links.

We also have some specific comments on the content of the Development Plan for 2016.

pg-12. In the description of the Gas Networks Ireland transmission 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.

Section 9 Gas Network Capacity: This section on capital investment should include consideration of the possibilities of expanding the natural gas network to areas which are not served with natural gas.

Pg 77 GNI notes that "Outside of this price control capital allowance Gas Networks Ireland continues to work with stakeholders to extend the natural gas network to new towns." No detail is provided of what this might include or how it might work in practice or what towns might be under consideration.

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 costs¹.

¹ SEAI Fuel Cost comparison (July 2017). This is the most recent published data. http://www.seai.ie/Publications/Statistics_Publications/Fuel_Cost_Comparison/ Kerosene 7.06c/kWh; Natural gas (medium users) 6.78c/kWh. Natural Gas Band D2 used in comparison.

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. Indeed this Network Development Plan notes that Natural Gas promotes economic growth:

Natural gas as a clean, secure, low cost energy source is a key driver of job creation and economic growth. Industry depends on natural gas and gas availability is a key criteria for international companies when they are deciding where to invest. Having natural gas supplied to a town enhances its attractiveness and opportunities for growth and job creation. Many large employers in Ireland are also large users of natural gas. Pg22

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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.

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.

Work done by the WDC in 2011 "Why Invest in Gas?" (endnote vi) 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.

Conclusion

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 a 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

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.

New connections which are envisaged (especially those which have already been announced **such as that to Ballymahon**), should be included in the ten year Network Development Plan, while associated issues, such as the **sizing of the connection** and the **potential for future connections** and possible changes to government policy in relation to connection should all be considered in a ten year planning document.

Previous work by the WDC^{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.

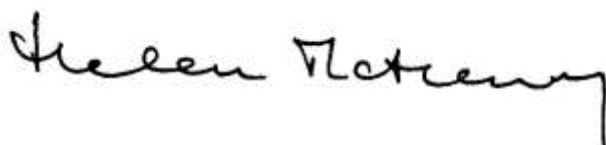
It would therefore be useful for GNI to explore the possibilities in relation to the following:

- 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 its planning of network development.

The WDC is pleased to make this submission to the CRU on the GNI Network Development Plan 2017 Policy. 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/>