

July 29th 2009

Mr. Kevin O'Neill,
Utility Regulator (NIAUR),
Queens House,
14 Queens Street,
Belfast,
BT1 6ER

Ms. Priti Dave-Stack,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

Bord Gáis Networks (BGN) welcomes the opportunity to respond to the consultation paper AIP/SEM/09/072, 'Fixed Cost of a Best New Entrant Peaking Plant and Capacity Requirement for the Calendar Year 2010'. The purpose of the AIP/SEM consultation paper is to consult on the BNE calculation and the capacity requirement for 2010.

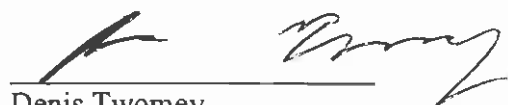
BGN welcomes the fact that the RAs have considered both gas and distillate technology as options for the selection of the BNE plant. With reference to the summary of investment costs as outlined in section 6.10 of the paper, the ROI dual fuelled plant has gas connection costs of €3.38m and it is BGN's understanding that these are estimates of the total costs for the connection. However, if the plant only has a load factor of 5%, based on the connection policy and BGN's calculations, it would be subject to pay 30% of the connection costs as opposed to the full connection costs. The reduction in gas connection costs would reduce the ROI dual fuelled annualised cost per kW.

From a broader perspective BGN would also highlight the fact that a gas fired plant has inherent auxiliary security of supply benefits because it is required to be backed up by distillate. In essence, gas fired plants are dual fuelled plants. In the event of a disruption to the distillate fuel supply chain, distillate fired plants will not be able to run whereas a gas fired dual fuelled plant will.

Although not directly addressed in the BNE paper itself BGN would ask the question as to whether the effect on electricity prices over the life of any new plant should be considered when determining the most appropriate plant. It is our understanding that based on prevailing energy prices natural gas fired plants will generate electrical output at lower costs than distillate. Assuming this is the case then a natural gas fired plant would result in lower average electricity prices for the consumer and BGN feels that this should be considered in determining the most appropriate plant and its associated fuel choice.

BGN are available to meet to discuss any aspects of the above at your convenience.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Denis Twomey', written over a horizontal line.

Denis Twomey
Commercial Operation Manager
Bord Gáis Networks