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Sandycove,
Co. Dublin.

Telephone: 01-2303666

Date: 20th April 2012

Mr. Philip Newsome,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

Mr. Jean Pierre Miura,
Utility Regulator,
Queens House,
10-18 Queen Street
Belfast BT1 6ED.

RE: Proposals for Implementation of the European Target Model for the Single Electricity Market Consultation Paper (SEM-12-004).

Dear Philip & Jean Pierre,

Shannon LNG is responding to the above referenced consultation paper as the developer of a 500 MW (nominal) CHP plant that will be located adjacent to our proposed LNG terminal in Co. Kerry.

The 500 MW CHP plant will assist the Government in achieving its target of 800 MW of CHP by 2020. The CHP plant has the potential to provide very competitive electricity to consumers on the Island and will result in significant reductions in CO₂ emissions in the power sector.

While recognising that Ireland has to comply with the EU's target model, we believe the considerations set out below should also be taken into account when arriving at the appropriate electricity market design to comply with the target model.

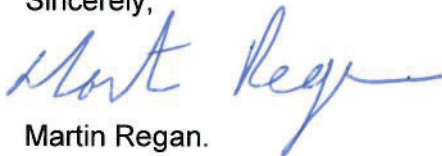
- Irelands Single Electricity Market (SEM) structure has worked well to date in terms of prices reflecting costs, price transparency and the merit order being set based on the lowest cost to meet demand. This approach has resulted in significant benefits for consumers on the Island. Any move to a new market design should be compared against how the current market has operated in these areas.
- The current market arrangements give a clear price signal to developers of new power generation. In assessing the appropriate new market design, consideration should be given to how developers of new power generation on the Island can be given the necessary levels of certainty to progress their projects between now and 2016. There is a clear risk that new merchant

power generation may not have adequate price signals or regulatory certainty to develop their power projects while the market redesign is proceeding.

- Given the level of current and likely future power generation on the island with priority of dispatch, the regulatory authorities should set out their proposals for how priority of dispatch will work under each option considered in future consultations.

Due to the lack of detail on how each of the options presented in the consultation paper will work in practice, Shannon LNG would like to reserve its position at this time on the most appropriate option for the island to comply with the EU Target Model.

Sincerely,

A handwritten signature in blue ink, appearing to read "Martin Regan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Martin Regan.