

## EAI Response to A078 (Proposed 'Oversell' Approach) - 18/01/17

1. The stated objective of the (revised) Modification is to seek to bring unutilised entry capacity back to market. However, the proposer(s) have failed to identify;
  - a. That there is a problem with unutilised entry capacity at Corrib;
  - b. That there is an existing barrier to bringing any such unutilised entry capacity back to the market under the current provisions of the Code of Operations (e.g. secondary market);
  - c. How the proposed amendment would alleviate the purported problem.
2. EAI can find no evidence of a market failure at Corrib in respect of unutilised entry capacity and the ability of a shipper to offer this back to the market. We note that mere existence of unutilised capacity on a given day is not necessarily a problem and this could arise as a result of legitimate commercial decisions taken by either a buy or sell shipper.
3. Noting the cost of gas capacity in Ireland, we see no legitimate reason why shippers with unutilised capacity would not seek to sell such capacity in the secondary market.
4. To the extent that the proposer is concerned with seeking to bring unutilised capacity back to the market, it is unclear how the proposed overselling of capacity will assist in seeking to achieve this objective. The effect of the proposal is to make each unit of capacity cheaper, thus increasing the likelihood of a shipper purchasing in excess of their required amount of capacity. Shippers may also have an incentive to purchase the equivalent % share of capacity at Corrib under this proposal, thus failing to address the alleged problem at the entry point.
5. In summary, it is unclear what problem the proposer is seeking to resolve as the detailed commercial arrangements put forward by the proposed to oversell capacity at the Corrib entry point appear to have no relevance to the purported problem; unutilised capacity at the entry point. As a starting point in this discussion, the failure on the part of the proposer to identify and define the 'problem' to be resolved by the proposed Modification is a glaring omission in the process. In order to consider the merits or otherwise of any proposal, it is necessary that the proposer defines the 'problem' and sets out how the proposed Modification may address it; all of this must precede the development of detailed commercial arrangements.
6. EAI members remain available to participate in an industry workshop on the purported issues at the Corrib entry point (re. unutilised capacity) but until such time as the 'problem' is defined, EAI calls for the suspension or withdrawal of A078. EAI members do not support unsubstantiated change to the Code of Operations, particularly where the need for the proposed change is unclear and the effect of the proposed change does not address the purported problem.
7. In the event that A078 is to proceed, EAI members would request an urgent meeting with CER to understand the basis for any decision to support the current Modification and to discuss the impacts of the proposed change. Notwithstanding the concerns expressed herein, EAI members would have significant concerns over the safety, operational and commercial arrangements proposed under A078.