

Dear Kieran,

I refer to the email below and can confirm that Kinsale Energy fully supports Code Modification AO69 as proposed by IOOA. Kinsale Energy is the operator of the Kinsale Facilities and as such we wish to offer the following comments:

1. The CER Decision (CER/15/140) introduced a tariff structure at entry points comprising of both a Matrix Expansion Constant (MEC) tariff and an adjustment / smeared (Adder) tariff.
2. The MEC tariff is intended to recover the marginal cost associated with each entry point and is unique to that entry point.
3. The Adder tariff is intended to recover any shortfall in allowed entry revenue not recovered with the MEC tariff.
4. An entry point tariff is calculated as the entry point MEC tariff plus the Adder tariff with the Adder tariff to be recovered only once.

There are many structural differences between the Inch and Moffat entry points:

- Daily production flows through Inch must be profiled on a 1/24th basis (due to depletion basis of production) whereas flows through Moffat can be taken over a period which can be as short as one hour (due to excess capacity at Moffat and lack of application of 1/24th rule within the code of operations).
- Production gas is typically flowed through Inch in a saw tooth like profile which impacts on the quantity of gas that can be flowed from day to day.
- Flows through Inch are suspended from time to time to facilitate maintenance.
- The CER only recently authorised the twinning of Moffat which will be paid for by all users of the system through the smeared charges but will only advantage Moffat shippers.

In essence the quality of service at Inch is inferior to that at Moffat due to restrictions on flows. The cost and/or value of these differences is not recognised in the calculation of either the MEC or the Adder tariffs and neither is the cost to Inch shippers of accessing back up gas which is effectively provided for free to Moffat shippers due to the availability of alternate supplies at that entry point.

Code Mod AO69 proposes that if a shipper has booked and paid for capacity at an entry point but is not utilising the entry capacity on a day, then that shipper will be permitted to purchase short term products at other entry points for that day at a cost discounted by the amount that the Adder tariff bears to the combined tariff at such entry point. As such, the Code Mod is to be welcomed.

The intent of the Code Mod could also be achieved by leaving the MEC and Adder tariffs unbundled. Shippers would still be required to separately book and pay for MEC and Adder capacity to flow gas at its primary entry point but, in the above scenario, it would only have to book short term MEC capacity at the alternate entry point on the day. An advantage of this unbundled approach is that shippers will also be able to separately trade their unutilised MEC and Adder capacity on a day.

Regards
Kieron