



*Border, Midland & Western*  
Regional Assembly  
*Shaping the Region*

**Submission from the**  
**Border, Midland and Western Regional Assembly**  
**to the**  
**Commissioner for Energy Regulation**  
**On the**  
**Connections Policy Consultation Document**

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## **Introduction**

This paper is a response of the Border, Midland and Western Regional Assembly to the Consultation Paper on New Connections, setting out our views on the CER's proposals. The Border, Midland and Western Regional Assembly welcomes in particular the review of the detailed criteria for the evaluation of network extensions by the Commission for Energy Regulation.

The BMW Regional Assembly was established in 1999 and was designated as the Managing Authority for the Border, Midland and Western Regional Operational Programme (O.P.) in the Objective One region. The main roles of the Assembly are to:

- manage the BMW Regional Operational Programme, as set out in the EU structural fund regulations
- monitor the impact of all NDP/CSF Programmes on the BMW Region in order to ensure balanced regional development
- co-ordinate the delivery of public services in the region, highlight issues of regional concern and ensure that national policies take the regional dimension into account.

The recent unprecedented growth in the Irish economy has clearly had a spatial impact including the persistence and widening of regional imbalances. The resulting problems include those arising from rapid growth, such as congestion and pressure on infrastructure and services in the Greater Dublin Area and some other larger urban centres. They also include regional disparities in capacity to attract inward investment including share of higher value-added economic activities, to grow indigenous industries which has brought into sharp relief the significant gaps in infrastructure, including in particular, energy infrastructure.

## **Regional Policy and Energy Policy in Ireland**

Overall, the objectives of the connections policy should be extended to facilitate national and regional policy in Ireland and be consistent with the National Spatial Strategy (NSS), published in 2002. Policy relating to natural gas connections should not operate in complete isolation from these important over-arching national policy goals.

The objective of regional policy as stated in the current National Development Plan (NDP) is to achieve balanced regional development and to reduce disparities within and between the regions of Ireland. This is one of the core objectives of the NDP.

The National Spatial Strategy aims to create balanced regional development by developing the full potential of each area to contribute to the optimal performance of the State as a whole – economically, socially and environmentally. It identifies 9 Gateway 'cities' which are intended to drive the State's regional economic development performance. Thus an improved regional spread of economic activity is a fundamental objective of public policy.

It has been evident for some time that the existing policy with regard to the connection of new towns and the criteria used does not generally favour new connections, thus further disadvantaging towns in the West, North West and parts of the Midlands,

Energy is a significant enabler of economic activity as a relatively flexible, affordable and efficient fuel source. Its availability also enhances the attractiveness of towns for the development of indigenous enterprises and attraction of inward investment which is a major contributor to regional growth and prosperity. The availability of natural gas also increases the attractiveness of towns for new residential development. Gas is the cleanest and most efficient of the fossil fuels and it can be used very effectively in conjunction with other renewable sources of energy such as wind. In the future where industries may be subject to carbon taxation, those using gas will pay lower amounts and will hence be more economical. It is therefore essential in the interests of effective regional development that national policy allows for the connection of new towns to the gas network where it is feasible and economical to do so.

It is of concern to the BMW Regional Assembly that under the current policy, two of the designated gateways have not had a natural gas connection provided, namely Sligo and Letterkenny. This seriously impairs their capacity to deliver on the NSS targets and fulfil their specified roles as drivers of the economy of their regional hinterlands.

In the case of Letterkenny an opportunity to establish an inter-connector with Northern Ireland with the support of EU funding under the Interreg IIIA Programme was lost last year due to the application of the current connection policy. It is vital therefore that this policy be significantly amended.

### **Response to the CER's Proposals**

Current policy has not favoured the connection of new towns to the natural gas grid. Consequently, the current natural gas distribution system is much less extensive than the electricity system. We therefore welcome the proposal that for connections to new towns, the economic test will include both Transmission and Distribution tariff revenues.

We also support the proposal that the economic test will be evaluated over 25 years for both industrial/commercial and domestic customers, which we believe reflects the lower long term risks and broader market growth opportunities of a diversified new town base.

We also welcome the proposal that new towns can be appraised either on their own or as part of a regional group of towns. This would have the benefit of spreading costs over a larger number of new towns and thus enabling many small towns to be connected, that would otherwise be excluded. It is not clear from the CER's proposals how exactly this policy will be implemented, what criteria will be used to assess groups of towns and how the groups of towns will be designated. The BMW Regional Assembly would welcome further clarification on this process.

Overall the policy is very positive and does allow for the connection of many new towns to the network. This should have a positive effect on tariffs for customers in the long term and will provide more businesses and residential customers with a real choice of energy solutions.

### **Conclusions**

These new policies would, we believe, encourage the connection of new towns to the network, where this is economically efficient in the long run. It is also consistent with the objective of increasing throughput in the long-run and thereby reduces tariffs in the medium to long term to all customers, while avoiding uneconomic development. Facilitating the connection of new towns in the West, North-West, Midlands and Border regions would also contribute to the national objective of more balanced regional development. The new connections policy must therefore facilitate provision of equal access to a choice of energy supply for industry and consumers.