

Martin Regan  
Commercial Manager  
Shannon LNG  
15 Windsor Terrace  
Sandycove  
Co. Dublin

25<sup>th</sup> June 2014

Dear Martin

### **Cross Border Cost Allocation Agreement - Decision**

Thank you for your letter of 21st May in response to our 'minded-to' CBCA decision on the Shannon LNG Project of Common Interest (PCI). We have considered your response in coming to our final decision.

#### Background

The Utility Regulator recognises the security of supply benefits that the Shannon LNG project could provide to Northern Ireland and supports the project's PCI status which was granted in October 2013 under Regulation (EU) 347/2013 ("the Regulation").

Article 12 (4) of the Regulation requires National Regulatory Authorities (NRAs) to allocate investment costs across borders following an investment request from project promoters of a PCI.

As such the three NRAs (the Commission for Energy Regulation (CER), Ofgem and the Utility Regulator) are required to come to a Cross Border Cost Allocation Agreement (CBCA Agreement) in respect of the Shannon LNG PCI 5.3.

The CBCA Agreement, attached to this letter, sets out the Utility Regulator's decision that there should be no allocation of investment costs across borders in respect of the proposed Shannon LNG PCI.

This is consistent with the cost allocation proposed by the Project Promoter of 100% to Ireland and 0% to Northern Ireland and Great Britain. This letter sets out the Utility Regulator's reasoning for coming to this decision. The CER and Ofgem have also provided separate letters outlining their reasoning.

#### Assessment

Shannon LNG has proposed that there is no cross border allocation of costs to Northern Ireland.

In considering your proposed CBCA, we note that in their assessment the CER state that it would not be appropriate for the risk of the Shannon facility not proceeding after the pipeline has been commissioned to be borne by gas users outside Ireland.

Therefore both the CER and Utility Regulator are in agreement that there should be no cross border allocation of costs to Northern Ireland. This is in agreement with the cross border cost allocation proposed by Shannon LNG.

In light of this agreement and also the assessments set out by Ofgem and the CER, we have not replicated the detailed aspects of our analysis of the CBA here.

Next steps

As required under the Regulation we intend to inform the Agency for the Cooperation of Energy Regulators (ACER) of our final decision. We also intend to publish this letter and signed version of the CBCA Agreement on our website shortly.

Yours sincerely



Brian McHugh

Gas Director