

Dear Kieran,

I refer to the email below and can confirm that Vermilion Energy Ireland Limited (VEIL) fully supports Code Modification A069 as proposed by IOOA.

We would like to note that:

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 Top-up Tariff.
2. The MEC tariff is intended to recover the long run marginal cost associated with each entry point individually.
3. The Top-up 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 Top-up Tariff with the Top-up Tariff to be recovered only once.

With Corrib gas coming upstream in the very near future we expect there will be variances in the daily deliveries at Bellanaboy Entry Point related to the production from the different wells in the field and the treatment facilities at the Bellanaboy terminal. During periods that deliveries will be below the entry capacity booked at Bellanaboy, short term entry capacity on other entry points may have to be booked by the respective shippers, to secure the deliveries towards their customers. Without this mechanism a shipper using indigenous supply, in a realistic manner- i.e. with backup contingency in place - will be paying a higher proportion of the Top-up Tariff than a shipper with the same network usage profile using only imported gas. This is unfair. We therefore fully support the IOOA proposal.

With the eye on the several IT projects within GNI, we would like to note that this Code Mod proposal can be implemented retroactive as per 1st October 2015. This would mean that primary capacity at GNI will initially be booked against the all-in tariff of MEC plus smeared Top-up Tariff. Later on in Gas Year 2015/2016 the implementation of this Code Mod can be finalized and the tariff repayments for the smeared Top-up Tariff from GNI to the shipper(s) can be done through a reconciliation at the end of Gas Year 2015/2016.

Best regards,

Henk Kreuze
Vermilion Energy Inc.
On behalf of
Vermilion Energy Ireland Limited

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