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**RE: Irish Energy Research Strategy Consultation**

Dear Sir/Madam

Bord Gáis is pleased to have the opportunity to respond to the Irish Energy Research Council's document "An Energy Research Strategy for Ireland" issued in March 2008. Bord Gáis welcomes the publication of the document and supports the overall strategy outlined within it.

Bord Gáis, as a participant in the Irish energy industry, has recognised its potential role in energy research and particularly in the development and demonstration of emerging technology. Earlier this year, Bord Gáis announced a €10 million Euro fund to support research and development in alternative energy. This fund will target technologies, such as biogas, MicroCHP, marine renewables and fuel cells.

This submission highlights the shortcoming the current regulatory regime and comments on one area of research related to transport and bioenergy where co-ordinated policy support will be required.

**Research, Development and Demonstration in Regulated Utilities**

Internationally, the liberalisation of energy markets since the 1990s has coincided with a significant decline in energy related research and development activities. The

main objective of current regulatory regimes is to improve operational and investment efficiency through increased competition and regulatory oversight. This has led to a reduction in the level of R & D undertaken by regulated energy companies.

In Ireland, the Commission for Energy Regulation (CER) has the legal responsibility to regulate gas and electricity companies. The Commission has a legal remit to encourage energy research and development in electricity but no equivalent remit in gas related research and development. The current regulatory framework is based on approved levels of operating expenditure, capital investment and rates of return. This framework does not provide any financial incentive for a regulated business to undertake R & D in its core business. In the context of government policy to increase the level of R & D in the energy market, this shortcoming in the regulatory framework should be re-examined.

Network operators in both gas and electricity have a key role to play to facilitate the demonstration and prototyping of emerging technologies. Examples of this include grid access, smart metering and willingness to engage with small technology companies. Bord Gáis has taken steps whereby Bord Gáis Networks has communicated its willingness to conduct trials of new smart metering technology to the industry. Public and regulatory policy should encourage network operators to facilitate innovation within the industry in Ireland.

### **CNG/Biomethane as a Transport Fuel**

One area of research of particular interest to Bord Gáis, relates to the use of Compressed Natural Gas (CNG) and Biomethane as a transport fuel. The use of CNG/Biomethane as a transport fuel has the potential to address a number of public policy concerns including emission reduction and displacing imported fuels with renewable sources of energy. This area of research overlaps two of the priority areas for targeted action identified in the strategy, namely Energy for Transport and Sustainable Bio-energy.

However, in addition to normal technology risks, the development of this technology faces a number of uncertainties such as tax treatment, absence of a defined regulatory

framework vis-à-vis selling biogas into gas grid and lack of refuelling infrastructure. A co-ordinated effort across a number of government departments and public bodies is a requirement for progress on these issues. Policy options, which have been used elsewhere, to promote development of CNG/Bio-methane, include;

- Favourable treatment of CNG/Bio-methane powered vehicles
  - Access to Bus lanes
  - Free city centre parking
- Direct or indirect financial subsidies on CNG/Bio-methane vehicles
- Favourable tax/excise duties on CNG/Bio-methane
- Adoption of CNG/Bio-methane within publicly owned vehicles fleets
- Mandated CNG/Bio-methane use in service operations e.g. licensed waste collection, bus operators.

The above example highlights the fact that progress in developing new energy technologies, not only requires R & D support, but also coordinated efforts on the part of government, regulatory authorities and relevant energy market participants.

Bord Gáis would welcome the opportunity to discuss the above issues further with other interested parties.

Yours faithfully,

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