

21 October 2011

Carl Hashim
Gas Directorate
Queens House
14 Queen Street
Belfast
BT1 6ED

Dear Carl

Re: Consultation on Phoenix Natural Gas Limited Price Control 2012-2013

Thank you for providing firmus energy with this opportunity to respond to the above.

Distribution perspective:

firmus energy distribution recognises that this two year price control will align PNG's and firmus energy's distribution price control. However, comparison between the two companies is stark in terms of scale, maturity and indeed different licence parameters.

We welcome the Utility Regulator's approach to focus on the six largest operating cost items given that they account for 75% of operating expenditure granted in previous price controls.

We note the Utility Regulator's retrospective adjustment to PNG's asset base. Whilst we would not wish to comment on the rationale for this sizeable clawback, we are concerned that any adjustment is made on an open and transparent basis. Regulatory certainty is necessary for any network business to finance future investment in much needed infrastructure in Northern Ireland and we are concerned at the precedent which this approach may set.

We feel the portion of the licence fee attributed to the Consumer Council should be in proportion to customer numbers and should not be based on a 50/50. Such an approach we consider to be inequitable.

Supply perspective:

firmus energy supply are concerned that even though PNG achieved IT opex efficiencies of circa £66k per annum from 2007 to 2009, PNG were permitted to stifle market opening to the domestic sector in Belfast until additional funding was allowed. We find this distressing for domestic customers in Belfast who were prevented from switching to cheaper natural gas for over a year when the project could have been funded from IT efficiencies.

PNG has also attributed the substantial increase in the billing allowance request to supply competition in the domestic market citing an increase in meter exchanges and meter reads as the reason for this. We are unsure as to the reasoning for this given that firmus energy supply undertakes the initial meter read at the time of the customer switch and in the absence of an actual meter read, the read by the distribution operator is a notional read.

I hope you find these comments useful.

Yours sincerely

Michael

Michael Scott
Acting General Manager