

firmus energy Price Control 02, 2009 to 2013.

Supplemental Market Development Review 2010-2013 Determination, 16th April 2010

1. As part of the firmus energy (*fe*) 2009-2013 price control determination, the Utility Regulator (*we*) have agreed to the 2009 allowances subject to a re-opener to review market development and advertising by the end of the year. In the main price control determination document the Utility Regulator stated:

“a domestic incentive of £500 has been provided for 2009 only. This will be considered further in light of the potential re-opener to take account of the market development review.”

2. We set out our proposed approach, analysis and methodology for this market development review in October 2009. We have been very clear that allowances must have a clear economic basis. Following a number of meetings with *fe* and other correspondence we set out an updated position in January 2010. Further meetings and representations followed and our determination takes account of all information submitted by *fe*.
3. We emphasised that a per connection allowance was the approach we intended to take in order to achieve and efficiency in connection acquisition costs. Our analysis showed that the interim allowances in the main price control based on *fe* submission were not economic. We have engaged with *fe* to review this analysis and offer an opportunity to provide an economic justification for their submission but we are satisfied that our analysis remains robust.
4. We set allowances for market development (including customer incentive) at the time of the main price control determination for each customer category. In the domestic owner occupier (OO) and small industrial and commercial (SIC) sectors we propose to replace theses market development allowances, for the period 2010-2013 inclusive, with a per connections allowance the value of which will depend on the number of outturn connections. The main price control allowances are retained for the other customer categories for the period.
5. We propose a per connection allowance for OO and SIC to replace customer incentives and allocated marketing and advertising costs. We have also designed the allowances to ensure that OO and SIC revenues recover sales manpower costs associated with the OO and SIC connections before market development allowances are non-zero.