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Carl Hashim  
The Northern Ireland Authority for Utility Regulation  
Queens House  
14 Queen Street  
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26 February 2010

Dear Carl,

**ALIGNING THE PRICE CONTROL REVIEWS OF NORTHERN IRELAND'S GAS  
DISTRIBUTION NETWORKS**

Thank you for the opportunity to respond to the above consultation.

Viridian Power & Energy (VPE) can appreciate the potential benefits of aligning the gas distribution network price controls in terms of economies of scale and benchmarking. We can also appreciate that it will free up more time for the Gas Directorate of the Utility Regulator to focus on other things in between price controls. This could be especially beneficial if the Gas Directorate focused on measures to improve competition in Northern Ireland's (NI) gas market.

However, delaying the full five year Phoenix Natural Gas (PNG) price control by two years as proposed in the consultation paper raises a number of concerns, not least it would be unresponsive to changing circumstances and could imply delayed realisation of benefits to consumers. We suggest these concerns might be somewhat allayed by the following actions that NIAUR could take:

1. Devote additional resources, freed by extending the PNG price control, on measures to improve competition in the NI gas market.
2. Carry out a "mini price control" of PNG as an interim measure AND in that "mini price control" provide for the creation of a central service provider model for meter reads and the processing and provision of meter data in the interests of competition and efficiency.

We comment in more detail on each of these points below.

## **1. The need for competition friendly regulatory measures**

VPE is disappointed to note that lack of progress in retail gas competition remains a fundamental impediment to delivering consumer choice in Northern Ireland. VPE is committed to competing in the Greater Belfast gas market but continues to be frustrated by a number of competitive barriers which we have identified in past correspondence with NIAUR. VPE is however confident that real progress can be made in the short term with NIAUR intervention in the following areas:

- a. Improve the switching mechanism which is currently manual, labour intensive and susceptible to error by enhancing Phoenix Distribution systems and resources.
- b. Improve the switching process which currently takes a minimum of 15 days.
- c. Improve the transparency of Phoenix Supply tariff formulation and reviews.
- d. Address meter reading and data processing difficulties as suggested below.

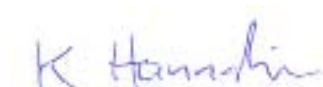
In addition VPE is committed to competing in the gas market outside greater Belfast when this is eventually opened to competition. However we are concerned about its readiness for market opening in terms of switching systems and procedures, the development of a network code, and the separation of the distribution and supply business of the firmus energy franchise. We suggest these are all areas that should be addressed with urgency over the next two years.

## **2. The need for a central service provider model**

Under current legislation responsibility for meter reading in Northern Ireland lies with gas suppliers. Except for safety considerations there is effectively no regulatory intervention in this area. This means that suppliers are left to their own devices to acquire meter reading and data processing services. These metering arrangements are prohibitive for new suppliers without a network business or that lack the scale of operations to competitively contract for metering services. It is also clearly inefficient for the end user to have multiple meter reading resources operating in such a small market.

The gas market is not big enough for anything else but a central services model for meter reads and data processing. This is the model used for the electricity market in Northern Ireland which is much bigger, and it works well. We strongly suggest that gas follows suit in the interests of efficiency and competition. We furthermore suggest that NIAUR could incorporate this into the “mini price control” of Phoenix Distribution with the cost of metering services (potentially acquired by competitive tender) covered in the conveyance charge.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K Hannafin".

Kevin Hannafin  
Senior Regulation Analyst