

26th February 2010

Carl Hashim
Utility Regulator
Queen's House
10-14 Queens Street
Belfast
BT1 6ER

Dear Carl

Re: Aligning the Price Control Reviews of Northern Ireland's Gas Distribution Networks

Thank you for providing firmus energy with this opportunity to respond to the above consultation whereby we understand that the Utility Regulator is proposing to align the price controls of the two gas distribution companies in Northern Ireland.

Three options have been proposed, all of them essentially delaying Phoenix's price control reviews. We note from the consultation that a number of advantages to aligning the price controls have been cited. These include delivering greater economies of scale, the ability to benchmark and to inform better decision making by the Utility Regulator.

It should be stated that we remain unconvinced as to the merits of benchmarking between Distribution companies in Northern Ireland and/or Great Britain. Clearly there are marked differences in the maturity of the two NI Distribution companies, the networks they operate and the recovery periods which they work to. Additionally, the focused nature of our licence within the 10 towns is in marked contrast to both the Greater Belfast market and particularly the GB market where gas availability is almost universal and where penetration levels are greater than 90%.

We concur with the Regulator's assessment that aligning the two price controls in Northern Ireland could be counter-productive, as it could place an additional resource burden on an already over-stretched gas directorate team. As we have seen in the two price controls conducted with firmus energy in 2006 and 2008, resource commitment is substantial when dealing with one Distribution company. We share the concerns expressed in the consultation that running two Distribution price controls concurrently may result in either an elongation of the process or undue resource pressure on all parties concerned.

In relation to the options presented, we agree with the Utility Regulator that neither Option 1 nor Option 3 should be progressed. We understand and indeed agree with the Utility Regulator's approach to favour Option 2, which will essentially delay PNGL's price control by 2 years, thus aligning price controls to 2014.

Notwithstanding this "minded to" position, we are concerned that the delay of PNGL's distribution price control could impact on the decisions around the required investment needed to facilitate supply competition in the Greater Belfast market. To this effect, we would ask that the elements around this are concluded as soon as possible.

firmus energy would welcome the opportunity to discuss this further with your office prior to any determination being reached.

Yours sincerely

Michael

Michael Scott

Head of Business Development