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## **CBI response to consultation on the options for coordinating the relinquishing of firmus energy's supply exclusivity in the ten towns area**

### **General Comments**

**Question 1 - Do respondents agree that the current staggered market opening timetable presents potential difficulties and confusion for customers in understanding the different tariffs across the same sectors in different towns? What impact, if any, do respondents consider this could have on the development of competition in the ten towns area?**

We agree that staggered market opening dates will be confusing and should be avoided. Unless clear advantages and benefits can be established of opening the market earlier we favour moving towards a single market opening date of April 2013 for larger users. This will give time for more customers to access natural gas. Evidence presented to us by large gas users favours this later date. Allowing flexibility in transmission costs during the development of the gas market in these ten towns remains an important incentive for attracting new consumers – and this must be given significant consideration as the more consumers on the network the lower the unit transmission costs will be once the market opens.

It is also not clear from the consultation paper what benefits the opening of the market to competition will bring – while many consumers believe that early market opening would drive up overall costs as any savings on the gas supply side would be more than offset by higher transmission charges.

Key decisions taken must be driven by the need to protect consumers interests, and keeping the price of gas as low as possible.

**Question 2 - Do respondents consider that under the current arrangements there is potential for confusion for customers in understanding which sectors in which towns are open to competition? If so what is the impact on the different sectors and on how suppliers advertise?**

Consumers primary interest is in the price they pay for gas. Many large users are concerned that early market opening will drive up costs, in some cases substantially. Moving to a common market opening date would be beneficial as it is likely that staggered opening would create further confusion.

**Question 3 - What are the views of respondents on the choice of network codes and associated costs? What considerations are most pertinent for switching system implementation and the associated costs?**



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With a small system it is critical that costs of switching systems and associate costs are minimised. It appears that the lowest cost option is to wait until CAG arrangements have been agreed. The lowest cost should be the key driver.

**Question 4 – Which option do respondents consider presents the best alternative, based on considerations of minimal costs, least confusion for customers and availing of effective competition at the earliest possible opportunity for customers? What arguments are there (based on cost, market clarity and competition considerations) for the alternative options? Is there an alternative option not presented in this paper or a refinement of one of the options that might be more optimal?**

We favour Option 2 - the opening of large I&C customers in April 2013 and small I&C and domestic customers at the later date of April 2015. The arguments in the paper are reasonably persuasive that this option is the fairest and most balanced assessment.

We totally disagree with Option 1 which is likely to be the most complex, costly and confusing to consumers.

Option 3 has its merits, particularly for large I&C consumers who remain concerned at the impact of market opening - the evidence in the consultation paper suggests that by 2013 the volumes would be within 7-8% of the expected 2015 volumes. We have concluded that 2013 would be a sensible time to proceed with market opening. However slippage to 2014 would be acceptable particular if switching systems and associated costs could be reduced.

### **Concluding remarks**

In summary, the opening of the gas market in these ten towns should be driven by the need to ensure that consumers see benefits, particularly in terms of lower prices. The market remains immature and early opening does raise significant concerns that costs could rise, rather than fall.

To avoid confusion we recommend that changes introduced should be kept simple and introduced at lowest cost. The Regulator should have confidence that any changes introduced will benefits to consumers.

While supportive of increasing the levels of competition in the market competition is not an end in itself - the most important issue is that consumers can access gas at lowest cost.

### **CBI**

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