



The Consumer Council

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Neil Bingham
Utility Regulator
Queens House
14 Queen Street
BELFAST
BT1 6ER

Dear Neil,

Re: Consultation on the options for co-ordinating the relinquishing of firmus energy's supply exclusivity in the ten towns area.

The Consumer Council is a Non-Departmental Public Body set up in legislation to safeguard the interests of all consumers, and particularly the vulnerable and disadvantaged. The Consumer Council is an independent organisation which operates to promote and protect the consumer interest.

We welcome the opportunity to respond to this consultation on the 'Options for co-ordinating the relinquishing of firmus energy's supply exclusivity in the ten towns area'.

The Consumer Council agree that competition, if designed correctly, can be a key mechanism in delivering lower prices and choice to consumers. If the energy market opens up and the potential for more competition increases, the Regulator and the Government need to ensure that the interests of consumers are protected and considered at every stage. To achieve this the Regulator should consult with stakeholders and in doing so provide them with all the information they need to reach a view.

Unfortunately, this consultation fails to provide key information on the potential impact of competition on the price of gas in the 'Ten Towns'.

The key information that is missing from this consultation document is a discussion on:

1. The potential for a price reduction that competition could bring ; and
2. The impact that competition would have in increasing the 'Distribution' element of the firmus energy tariff.

Along with the discussion contained in the consultation on the impact of developing network codes and switching systems, these are key elements to a cost benefit analysis that the consultation requires. It is the Council's view that competition should not be pursued at any price, and that further work is needed to better understand the benefits and disadvantages that competition can bring to consumers within Northern Ireland.

Notwithstanding this overarching view the Consumer Council have the following comments to make. The Consumer Council agree that it is right to draw a distinction between domestic and small I&C customers and large I&C customers. Although large I&C customers are small in numbers they outweigh domestic customers by almost six times in volumes of gas used.

Questions 1 and 2- customer confusion

We would agree that there is likely to be some confusion amongst domestic and small I&C customers if the existing licence provisions are implemented. Whilst this counts against a 'staggered' market opening it needs to be balanced against the potential benefits of bringing competition to an area at the earliest possible opportunity. Unfortunately the consultation does not provide the information required to make this decision.

Being small in number but large in their use of gas, the large I&C sector are in a better position to investigate and understand when competition will be available to them. Therefore we do not believe that this sector will be confused and this should not be a reason to delay the introduction of competition.

Question 3- costs

The cost benefit to the consumer between using the PNGL code and the Gaslink Code are marginal. It appears that there could be some benefit achieved by waiting until CAG transmission arrangements are in place. However, we are unsure if "Wait for CAG Retail" is a realistic option as there is no firm timetable given for its completion.

The issue of the code that should be used appears to also turn on the timing of opening which we addressed in question four.

Question 4

Domestics and small I&C's

Based on the information in the consultation, we would support competition for all of the 'Ten Towns' being introduced at the one time in April 2015. This has the benefit of introducing competition to this sector at the earliest opportunity and removes the potential confusion for consumers that a staggered opening would bring. It also allows for the development of the CAG which will reduce the long term costs associated with code development.

However, we must emphasise again that the lack of information within this consultation on the impact of competition are key to answering this question. We believe that the Regulator needs to provide more information on these points prior to a final decision being taken.

Large I&C

In our conversations with stakeholders a view has emerged that competition will initially bring higher prices for large I&C's because of the impact it will have on the Distribution element of the currently regulated firmus tariff. For this reason we understand that some large I&C's believe that it is in their interests that competition is delayed. Many large I&C's have specialist energy advisors and are able to forecast what would benefit their own energy costs. Others are not in this position and require the Regulator to provide them with information that allows them to take a reasoned view.

Conclusion

The Consumer Council supports the introduction of competition where it can be shown to benefit the consumer. We would ask the Regulator to provide further information on the overall impact that competition will have in the 'Ten Towns'. Until this information is available we cannot form a definite view on the options as they relate to large I&C's. In the case of domestic and small I&C's we have given our view based on the available information.

The Consumer Council would like the Utility Regulator to keep in mind that its primary objective of any decision is to protect the Northern Ireland consumer. I hope that these comments are helpful and are given due consideration. Please contact me if you require any clarification.

Yours Sincerely



RICHARD WILLIAMS
Senior Consumer Affairs Officer