

Neil Bingham  
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Dear Neil

**Consultation on the options for co-ordinating the lapse of firmus energy's supply exclusivity in the ten towns area**

Thank you for providing us with the opportunity to respond to the above. As one of the largest single users of gas in the 10 towns, Michelin has a number of points to make in relation to market opening in Ballymena.

1. In terms of the timing of market opening, Michelin sees no reason to remain with the 'status quo' option which would result in industrial and commercial customer market opening in April 2011. Michelin, Ballymena was the first customer to connect for natural gas in the 10 towns in December 2005. We recognise that the gas market in the 10 towns is extremely immature with gas only having been made available to towns such as Craigavon less than 3 years ago. It seems illogical therefore to proceed with market opening in towns such as Ballymena, where the majority of large users were connected less than 4 years ago, until the gas market in these areas is more mature.
2. Given recessionary pressures in our own business over the last 18 months, we have worked hard with firmus to ensure the best possible price for gas. We understand that during exclusivity firmus has the ability to flex the rate it charges for the use of system and without this flexibility over the last year or so, jobs in our manufacturing facility could have been under threat. Given the potential for significant increases in the use of system charge if market opening proceeds next April – a charge which surely cannot yet be fully worked through given that firmus is still extensively building the network in other towns – we see no benefit in rushing in market opening in Ballymena. Quite the opposite in fact, in that a premature market opening in Ballymena may in fact be detrimental to our business and could have a direct impact on jobs. Energy costs in Northern Ireland are among the highest in Europe and, given that Michelin Ballymena competes with its own group factories across Europe, we would urge the Utility Regulator to do whatever it can to minimise gas costs for our business. **At current Production levels, Gas Costs the Factory in the region of £2.4 Million / Year; Michelin believes the impact of increased use of system charges could increase this by as much as £450K/Annum, and that the benefits from Market Opening in terms of Competitive Tendering, would not outweigh this at this time.**
3. Michelin agrees that the current staggered approach to market opening across the 10 towns is confusing. We also believe that it is unfair in that market opening in Ballymena is only scheduled for April 11 because Michelin (and in fact firmus) were so proactive in connecting for gas in December 2005. If we had waited for one month, market opening would not be

scheduled until April 12. We cannot see how published use of system charges can, for example, be levied in Ballymena whilst in Antrim and/or Ballymoney these charges will not apply for large users.

4. Michelin is supportive of option 2 within your consultation, namely that market opening should be consolidated into one date for large industrial and commercial gas users in all of the towns. That said, we would also be happy for this date to be even further extended to 2014 so that the results of firmus' next price control process are published. This would give ourselves, and other industrial customers, confidence that a more robust calculation on the use of system charges has been done.

As a final point, Michelin would like the Utility Regulator to take a more proactive role in encouraging more connections to the 10 towns gas network. We understand that the more connections there are, the lower the use of system charges in the future. Surely it would be in the interests of all gas users if the remaining Public buildings which have not yet connected for gas do so as quickly as possible?

Michelin would urge the Regulator and the Department of Enterprise, Trade and Investment to give more overt support to encouraging the significant number of hospitals, schools and other public sector buildings which can avail of gas to connect without delay. As a commercial enterprise, we were quick to identify the benefits of gas for our business – it is therefore unacceptable that delays in the connection of government owned buildings could result in increased use of system charges for businesses in the future. This cannot be allowed to happen.

Yours

Gary McNeill  
Site Energy Manager