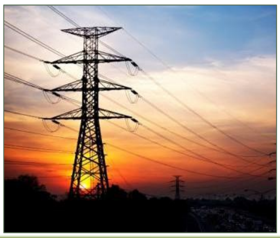
Initial Consultation on Price Control for firmus energy (Supply) Ltd

June 2014



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission	Value and sustainability in energy and water.
Our Vision	We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This document sets out for consultation our proposals for applying a price control on firmus energy (Supply) Ltd and the main issues likely to affect this price control. The consultation sets out our initial thoughts on how those issues may be addressed or looked at further; and welcomes stakeholder feedback on various issues.

Audience

Industry, consumers and their representative bodies and statutory bodies.

Consumer impact

The price control will protect customers in terms of price by setting a maximum limit on the average price that firmus energy (Supply) Ltd can charge for gas in the Ten Towns area.

Contents

Executive Summary

This consultation sets out for comment by interested stakeholders our proposals for a price control for firmus energy (Supply) Ltd (firmus) in the Ten Towns area from 1 April 2015. This will be the first supply price control for firmus, previously the supply costs have been determined as part of the distribution price control.

We consider that it is appropriate to apply a price control to the Ten Towns market as firmus, being the incumbent supplier, is in a dominant position in the market, currently they supply 100% . We do not consider that competition, in the short term, will be sufficiently effective to protect consumers. We are currently undertaking a review of the effectiveness of competition in the Northern Ireland energy market. The outcomes of this review will inform our policy decisions on future supply price controls.

For these reasons we consider that a price control should apply. We are proposing to apply the control for a period of 21 months from 1 April 2015 to 31 December 2016. This will align the timelines for the firmus control with that of the price control for the dominant supplier in Greater Belfast, SSE Airtricity Gas Supply. Further we propose that the control will apply to consumers using less than 25,000 therms per annum. Typically these will be domestic and small business consumers.

The firmus supply licence requires firmus to apply to the Utility Regulator for consent to a maximum average price for gas for a 12 month period. The price control is the mechanism we use to set each of the elements of the maximum average price.

- Network costs
- Operating Costs
- Gas Costs
- Margin

We set out in this consultation our proposed treatment of each of the elements of the tariff. We propose that where firmus has no or limited control over the costs, the costs should be treated as pass through. Therefore we propose to treat network costs and gas costs as pass through. For operating costs we will view historic and forecast costs and benchmark these with appropriate companies to establish an appropriate supply operating cost for the firmus Ten Towns business.

In relation to margin it is our intention to apply the same methodology used in the

Power NI price control to calculate the margin for firmus. We consider that the methodology will result in an appropriate margin for firmus based on the risks they face, balancing our statutory duties to protect customers while ensuring that regulated companies can finance their licensed activities efficiently.

Following responses to this consultation we will publish a draft determination setting out our proposals for the costs for the firmus price control.

Glossary

Name	Definition
Airtricity	SSE Airtricity Gas Supply (NI) Ltd
CCNI	Consumer Council for Northern Ireland
CMA	Competition and Markets Authority
DETI	Department of Enterprise, Trade and Investment
firmus	firmus energy (Supply)Ltd
firmus distribution	firmus energy (Distribution) Ltd
GB	Great Britain
NI	Northern Ireland
NTS	National Transmission System
PNGL	Phoenix Natural Gas Ltd
TSO	Transmission System Operator

1. Introduction

This consultation sets out for comment by interested stakeholders our proposals for a price control for firmus energy (Supply) Ltd (firmus) from 1 April 2015. This will be the first supply price control for firmus, previously the supply costs have been determined as part of the distribution price control.

This consultation sets out the basis for the price control and provides background information on the gas markets in Northern Ireland. The consultation also sets out proposals for high level issues relating to the price control including

- Scope
- Duration
- Treatment of costs (network costs, operating costs and gas costs)
- Margin

Following responses to this consultation we will publish a further consultation in the form of a draft determination which will set out our proposed allowed costs for firmus. On completion of that consultation we will publish our final determination.

The Utility Regulator is seeking feedback from interested stakeholders at this early stage, so that this may help to shape our future consultation on the draft determination. The draft determination will include details of respondents' feedback to this consultation and our "minded to" proposals in relation to firmus' operating costs, profit margin and the scope and duration of the control. Again, this will be fully consulted upon prior to publishing our final determination.

We consider this approach is consistent with the principles of better regulation[1] which the UR continues to apply: transparent, consistent, proportionate, accountable, and targeted.

[1] Department for Business Innovation & Skills, *Principles for Economic Regulation*, published April 2011. A copy of this paper is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31623/11-795-principles-for-economic-regulation.pdf

2. Background

In Northern Ireland there are two distinct distribution areas for natural gas. These are the Greater Belfast area and the Ten Towns area. The Greater Belfast area is served by Phoenix Natural Gas Ltd and the Ten Towns area is served by firmus energy (Distribution) Ltd (firmus distribution).

The Ten Towns area covers a geographical region that includes Londonderry, Limavady, Coleraine (including Portstewart and Bushmills). Ballymoney, Ballymena (Broughshane), Antrim (including Ballyclare and Templepatrick), Craigavon (including Portadown and Lurgan), Banbridge, Newry (Warrenpoint) and Armagh (Tandragee). firmus energy (Supply) Ltd (firmus) holds a licence to supply gas to this Ten Towns area. The licence grants to firmus a period of exclusivity for supplying gas to customers within the Ten Towns area, meaning that firmus is the only company allowed to supply gas during this period. This period of exclusivity ended on 30 September 2012 for customers using more than 25,000 therms per annum, typically large industrial and commercial customers. The period of exclusivity for all customers using less than 25,000 therms per annum will end on 31 March 2015, this will include all domestic customers and small business customers. From 1 April 2015 the supply market in the Ten Towns area will be open to new entrant suppliers in all sectors.

The Ten Towns Market is a relatively small market, there are currently approximately 22,000 gas customers (comprising of 2,000 small industrial and commercial and 20,000 domestic customers) using less than 25,000 therms per annum, these customers will be eligible to switch from 1 April 2015. There are 238 meter points using more than 25,000 therms per annum who have been eligible to switch since September 2012. To date 29 meter points have switched, all of whom have switched to SSE Airtricity Gas Supply (NI) Ltd (Airtricity) as the only other active supplier. This equates to around 12% of the market[2].

In the Greater Belfast Market there are approximately 170,000 customers. This market has been open to competition since 2007. Currently there are four active suppliers in the market, only two of these companies supply to domestic customers, Airtricity and firmus. Airtricity, as the incumbent supplier is subject to price control. The current price control lasts for a period of five years from January 2012 to December 2016. This price control can be found on our website[3].

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2 Retail Market Monitoring Quarterly Transparency Report, published May 2014: http://www.uregni.gov.uk/uploads/publications/Transparency_Report_2014_MAY.pdf

3 http://www.uregni.gov.uk/publications/utility_regulator_publishes_the_phoenix_supply_ltd_price_control_determinat

3. Basis for Price Control

The following section in the firmus supply licence confers on the Utility Regulator (the Authority) the power to control charges if deemed necessary

2.4.1 Control over Charges in the absence of competition

If ….consumers of different cases or classes of cases or for different areas, whose consumption of gas at any premises is reasonably expected not to exceed 2,197,500 kilowatt hours (75,000 therms) in any given period of twelve months:

(a) do not have the opportunity of taking a supply of gas from another gas supplier (or if there is such an opportunity it does not safeguard the interests of consumers); and
(b) the Authority determines that competition from fuels other than gas is not safeguarding the interests of those consumers;

then the Licensee shall take all reasonable steps to ensure that in any period of 12 months the average price per therm of gas supplied to such consumers shall not exceed a maximum price to which the Authority has consented...

A price control is the mechanism that we use to determine the costs which are used to establish the maximum average price per therm that firmus can charge in a twelve month period.

In determining if it is appropriate to apply a price control in this instance we have examined both the tests set out in the licence condition above.

(a) Opportunity to take gas from another supplier

Currently firmus supplies 100% of those consumers within the Ten Towns area who use less than 25,000 therms per annum and is therefore in a dominant position in this market. As there is no competition in this market we cannot determine whether the opening of the market to new entrants will safeguard the interests of consumers.

We can examine the experience in the Greater Belfast market; where in the first year of competition around 7% of customers switched to a different supplier. There were a number of factors that promoted this level of switching including a price differential of 35% for a period of time between competitors. If we extrapolate these figures in the Ten Towns market this would indicate that over 20,000 customers may not change supplier and would remain with firmus. There is no indication that consumers in the Ten Towns market will behave in the same way as those in the Greater Belfast market. Additionally we have no indication of how suppliers will seek to compete in the Ten Towns area, or how this will affect the switching levels. Therefore we do not consider that competition, at this stage in the market, will safeguard the interests of consumers.

(b) Competition from other fuels

We do not consider that these consumers are protected by competition from other fuels. There is a large capital outlay required by consumers to switch fuels and we consider that it would require a significant price shock in the market for consumers to consider changing fuels.

In keeping with our statutory duties to protect the interests of consumers we do not consider that competition in this market will be sufficiently effective to protect consumers and that as a result a price control is required.

4. Review of the Effectiveness of Competition

4.1. The retail market in Great Britain

The GB market has been open to full competition since the late 1990's. We have closely monitored developments in this market to understand the impact of effective competition on the market. Since market opening there have been ongoing issues relating to competition initiating a number of probes into the market by Ofgem. The latest Ofgem reforms came into force in April 2014, restricting the number of tariffs suppliers can have. Most notably in March 2014 Ofgem referred the market for investigation to the Competition and Markets Authority (CMA) stating that competition was not working as well as it could.[4]

4.2. The retail market in Northern Ireland

The Utility Regulator is currently undertaking a detailed review of the energy markets in NI to assess the effectiveness of competition within these markets. A strategy document was published in May which sets out the strategic rationale for this project, and how it links in with other key projects. This document can be found at
http://www.uregni.gov.uk/uploads/publications/Strategic_Overarch_Paper.pdf

The aim of this review is to assess the effectiveness of competition in energy markets and the implications for our regulatory framework.

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4 Ofgem proposal to refer energy markets to the CMA https://www.ofgem.gov.uk/press-releases/ofgem-proposes-reference-cma-investigate-energy-market

There will be two stages to this review.

1. The first is to undertake a formal review of the effectiveness of retail competition in our energy markets, and the factors which might limit that competition. It will consider the information requirements necessary to monitor the effectiveness of competition. This review will broadly follow the structure of the recent Ofgem market assessment;

2. In light of the findings of phase one of the project, phase two of the project is to define the appropriate policy response and regulatory framework to deal with the issues identified and assess if there is any change required to the current regulatory regime. This regulatory policy review will be dependent upon the outcome of phase one and will look at a wide range of regulatory roles in retail markets (price controls, consumer protection licence conditions, requirements from the regulatory framework in different market sectors).

This project is due to formally commence in early summer 2014. It is our intention that both phases one and two of the project will be completed before the end of this proposed price control for firmus. Our decision on how to regulate this market going forward will then be based on the policy decisions that form the conclusions to this review.

5. Scope and Duration

5.1. Scope

We propose that this price control will apply to consumers using less than 25,000 therms per annum; typically these will be domestic properties and small businesses.

The market for those consumers using more than 25,000 therms per annum has been open to competition since 1 October 2012. We are carefully monitoring the progress of competition in this market. There is currently only one other supplier active in the Ten Towns market and around 12% of the available meter points have switched. We consider there to be potential for more companies to enter the market in the near future.

The results of the review of competition project will affect our decisions on which markets to regulate in the future, for now we consider it appropriate to treat this market in line with the Greater Belfast Market.

5.2. Duration

We propose to apply the firmus price control for a period of 21 months from 1 April 2015 to 31 December 2016. This will bring the control into alignment with the price control on Airtricity. By the end of 2016 we will have completed our work on the effectiveness of competition in the market and used the results of this project to set out our policies for dealing with price controls in the future. This will allow us to treat both price controls in the same manner and in line with the established policies of the Utility Regulator on supply price controls.

6. The Regulated Tariff for firmus

The firmus licence condition 2.4.1 states that firmus

...shall take all reasonable steps to secure that in any period of 12 months the average price per them of gas supplied to such consumers shall not exceed a maximum price to which the Authority has consented...

In order to approve this maximum average price the Utility Regulator will review the proposed tariff of firmus to ensure that it is constructed in line with the provisions set out in the price control.

6.1. firmus Tariff

The tariff is the price that firmus charges its customers for gas. This can be set at or below the maximum average price. The tariff is made up of a number of elements.

- Transmission costs
- Distribution costs
- Supply operating costs
- Gas costs
- Margin

In the following sections we will consider the treatment of each of these elements of the tariff. We will set out proposals for how each element will be treated and seek feedback from consultees on our proposals.

6.2. K Factor

We propose that a number of costs within the price control are treated as pass through. This occurs where firmus has no, or limited control over these costs. In these instances we consider it appropriate that firmus is allowed to recover the actual costs incurred. The tariff is set based on forecasts and reconciled to actual costs. Where there is a difference, either positive or negative, this is known as the k factor and is added to the next tariff.

Where k factor exists there is the risk that the tariff will be distorted by increasing prices to claw back monies from customers or reducing prices to return monies to customers. It is our intention to maintain k factor at a minimum level to avoid distorting the tariff and affecting the competitive environment. We propose to use regular tariff reviews and a trigger mechanism to monitor the tariff closely and thus minimise the impact of k factor on the tariff.

6.3. Tariff Review

A tariff review is the process of analysis and discussion of the tariff to consider if a change to the tariff is needed, and to decide the magnitude and timing of any change. We propose to review the firmus tariff on a bi annual basis; additionally we will be able to initiate a tariff review under the trigger mechanism as discussed below. This follows the process established within the Airtricity price control. Our experience with Airtricity demonstrates that regular reviews minimise the impact of k factor on the tariff.

We propose to establish a process in consultation with firmus, CCNI and DETI which will establish the timescales and information required in setting the tariff. The tariff review process is a consultative one where all parties bring their expertise and opinion in relation to the needs of firmus, the needs of the consumer and the wider impact on the economy. It is important, therefore, that all parties are aware of and in agreement with a formal process.

This process will provide a robust procedure, which is in line with the requirements of the licence to ensure that all parties are consulted in a timely, prescribed and comprehensive manner for both anticipated and unanticipated tariff reviews.

6.4. Trigger Mechanism

In addition to the bi annual tariff review we propose to create a trigger mechanism within the price control. The aim of this trigger mechanism is to initiate a tariff review should the cost of gas vary significantly from the cost forecast within the tariff.

We propose that the trigger mechanism will operate to allow the Utility Regulator to initiate a tariff review should the wholesale cost of gas change, either increase or decrease, so as to change the tariff by 5%. We consider the 5% level to be an appropriate level, any level under this and volatility in the wholesale market could necessitate a number of tariff reviews in a year. Tariff reviews can be costly and complex for the company. Where a review is initiated by the trigger mechanism the tariff review group will look at not only the wholesale cost of gas but a number of factors including

- Volatility in the wholesale gas market
- Time since last tariff review
- Level of k factor
- Amount of gas purchased by firmus

The Utility Regulator retains the flexibility to initiate a review at any stage it believes in is the interest of customers.

6.5. Tariff Structure

The firmus domestic credit tariff is made up of two charges, a higher charge for the first 2,000kWh used and a second charge for any usage above 2,000kWh. Pay as You Go customers pay a flat tariff for each unit used. [5]

Industrial and commercial customers using less than 2,500 therms per annum are charged a tariff with the same structure as the domestic credit tariff. While those customers using between 2,500 and 25,000 therms per annum are charged a three tiered tariff, with different charges for usage up to 2,000kWh, between 2,001kWh and 73,200kWh and above 73,200kWh.[6]

At each tariff review we will require firmus to demonstrate the assumptions used to create the tariff structure to ensure that the average weighted price charged to customers is equal to or less than the maximum average tariff.

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[5] firmus domestic tariff: http://www.firmusenergy.co.uk/for_home_10_towns.aspx?dataid=499871
[6] firmus business tariff: http://www.firmusenergy.co.uk/for_business_10_towns_content.aspx?dataid=500983

9. Network Costs

Network costs are the charges for the use of the transmission and distribution systems.

The costs for the transmission system are those costs involved in bringing gas from Scotland to Northern Ireland, via the Scotland to Northern Ireland Pipeline. They also include the costs for bringing gas to the distribution network areas through the transmission pipeline systems. The tariff for using the transmission pipelines are published on an annual basis on the Transmission System Operator's (TSO) websites. We propose to treat transmission charges as pass through costs.

The costs for the distribution system are those costs associated with moving gas throughout the firmus distribution network area to homes and businesses. These can be found on the firmus distribution website. Distribution costs are also subject to price control by the Utility Regulator. The latest price control GD14 came into force on 1 January 2014 and will last for a period of three years. We propose to treat distribution charges as pass through costs.

10. Supply Operating Costs

The supply operating costs of the firmus Ten Towns supply business are those costs that relate directly to supplying gas to customers within the Ten Towns area, with the exception of the costs related to wholesale gas. We will provide firmus with information requests which will ask for information on the historic costs of the firmus supply business and the forecasts for the proposed price control period. We will require from firmus clear, consistent and timely information in order for us to analyse the cost base effectively.

10.1. Supply Business Costs

We will seek to understand the historic cost base and the submitted forecasts and will rely on firmus to provide detailed explanations of where costs have changed or are forecast to change significantly. We will carry out a bottom up analysis of appropriate costs for a supply company using historical information, benchmarking and external information where appropriate. As this is the first supply price control for firmus we will seek to analyse each cost line of the Ten Towns business, determining an appropriate level of cost for each line.

In so doing, we seek to focus on the cost items that make up the largest proportion of the overall operating costs. These will include areas such as manpower, billing costs and network costs related to meter switching.

The operating costs of the firmus distribution business have been set during 2013 as part of the Gas Distribution Price Control process (GD14). The final determination for GD14 can be found at http://www.uregni.gov.uk/publications/gd14_price_control_for_gas_distribution_networks_final_determination

We will seek to ensure that the treatment of costs between the supply and distribution business is consistent and fair; applying the principles set out in the GD14 determination to the supply operating costs and ensuring that costs are allocated between businesses on a consistent basis and in line with licence requirements. To this end we will also issue firmus with information requests to demonstrate the costs of all separate businesses. We will seek to use this information to ensure that costs are allocated fairly and consistently between businesses.

10.2. Efficiency Factor

In examining the operating costs of the Ten Towns supply business we will consider if it is appropriate to apply an efficiency factor to the cost base. In determining an appropriate level we consider if it is appropriate to roll the costs forward at inflation, and/or if an adjustment, the efficiency factor, ought to be applied.

In order to determine an appropriate level we will take a view on efficiency factors applied to other price controls and by other regulatory bodies.

10.3. Apportionment of Costs

We will ensure that costs are apportioned appropriately between all the firmus businesses, distribution, supply (Ten Towns and Greater Belfast) and electricity.

In addition, as discussed in section 5 above we intend that the price control will apply only to those customers using less than 25,000 therms per annum. We will therefore seek to determine the most appropriate method for allocating costs between regulated and non regulated customers.

10.4. Retrospective Adjustment of Costs

We recognise that within a price control there are a number of costs which are not directly within the control of the company. In other price controls we have determined that these costs would be retrospectively adjusted. For example the allowance set may be adjusted for the actual volumes incurred, number of transactions or actual cost incurred.

Examples of retrospective items include licence fees, bad debt costs and inflation. When we have established a cost base for the operating costs of firmus we propose to examine these costs to assess if it is appropriate to treat any of these as retrospective items.

10.5. Reconciliation

On an annual basis we will reconcile the costs allowed in the price control with the actual costs incurred by firmus and determine a reconciliation amount. This amount will then form part of the k factor.

The reconciliation will take into account

- Retrospective items
- Rate of Interest Applicable
- Correction Mechanism

10.5.1. Rate of Interest

We propose that any reconciled amounts, whether under or over recovered, including gas costs, will be rolled forward at an interest of LIBOR plus 1.5%. This is in line with the treatment of these costs in the Airtricity price control. The proposed rate of interest is set to reflect the cost to firmus of financing the under recovery or the benefits to them of holding any over recovery.

10.5.2. Correction Mechanism

In addition to the applied rate of interest we propose to establish a correction mechanism. This mechanism is designed to incentivise firmus to forecast their volumes accurately.

In a calendar year any allowed expenditure (with the exception of gas costs) not incurred or exceeded because of inaccurate forecasts of volume etc. will be addressed at the end of the year through a correction mechanism. The proposed two tier mechanism set out below is in line with the mechanism used in the Airtricity price control.

- If firmus over recovers by more than 3 per cent, they suffer an interest rate of 3 per cent higher than the base rate;
- If firmus over recovers by less than 3 per cent, they suffer an interest rate of 1.5 per cent higher than the base rate;
- If firmus under recovers by less than 3 per cent, they may recover interest at a rate of 1.5 per cent higher than base rate; and
- If firmus under recovers by more than 3 per cent, they may recover interest at base rate.

The base rate used is the rate set by the Bank of England and will be taken as the July figure.

We will allow firmus to submit updated volumes at the beginning of each tariff period.

11. Gas Costs

The wholesale cost of gas and the associated costs of purchasing gas make up more than half of the final price to gas customers. This section details our proposals for dealing with each element of gas costs. We propose to follow the principles established in the current Airtricity Gas Supply price control.

11.1. Wholesale Costs

The wholesale costs of gas make up the largest single element of the gas tariff. It is these costs that also provide the greatest risk to changes in the tariff. The Committee on Climate Change demonstrated that over the past number of years (2004 to 2011) gas prices in Great Britain have risen by 121%, of this rise 80% is due to increasing wholesale costs[7]. Over the past two years the wholesale gas forward curve has remained relatively stable, however this is not an indication that prices will remain at this level. Ofgem has stated that wholesale prices are likely to rise over the next number of years as Great Britain relies more on gas imports from Europe and further afield and therefore prices in are increasingly influenced by global events[8].

We consider that in the wholesale gas market firmus is a price taker; it has no control over the price of wholesale gas. As a result we propose to allow gas costs as pass through costs for the duration of the control. This is in line with the treatment of gas costs in the Airtricity price control. As part of the pass through arrangement we will require firmus to provide us with the following information;

- The purchasing strategy of firmus
- The apportionment of costs among customer groups and firmus businesses (Ten Towns/Greater Belfast)
- Detailed gas purchasing information on a monthly basis
- Full details of any over/under recoveries

We propose to closely monitor the build up of over/under recoveries and will act to ensure these remain at a low level so as not to distort prices.

[7] Household energy bills – impacts of meeting carbon budgets Committee o n Climate Change, December 2011

[8] https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/understanding-energy-prices-great-britain

11.2. Network Costs

firmus is also responsible for paying national transmission system (NTS) transportation charges in order to transport gas through the transmission system in Great Britain. These costs are set and published by National Grid. We propose to allow these costs as pass through costs at the published rate. Additionally we propose that charges for removing gas from the NTS, known as Moffat exit charges will also be treated as pass through costs.

firmus will also be required to purchase additional gas in order to meet the Shrinkage Factor set by firmus distribution. We propose that this cost is treated as a pass through cost.

11.3. Credit Support

firmus will require credit support to finance the costs of the purchasing and conveying of gas. We will review the costs submitted by firmus and determine a set level of credit support in order to incentivise firmus to secure the most economic form of credit support.

12. Margin

The Airtricity price control allows a margin of 1.5% of allowable costs. This margin has been in place since 2008, through three price controls.

During the Power NI price control in 2013 the Retail team carried out a robust analysis of the retail margin, taking into account theoretical and evidence based perspectives and engaging consultants in order to establish an appropriate margin for Power NI. This resulted in a margin of 2.2% (historically at 1.7%) for Power NI.

It is our intention to apply the same principles to the margin for firmus. We consider that these principles will result in an appropriate margin for firmus based on the risks they face, balancing our statutory duties to protect customers while ensuring that regulated companies can finance their efficient licensed activities.

13. Next Steps

The table below sets out our proposed timescale for the price control process. We will further review these timescales following responses to this consultation. Achieving these timescales will require close cooperation between firmus and ourselves and the provision of timely and quality information.

Date	**Action**
June 2014	Initial Consultation for firmus supply price control
September 2014	Draft Determination for firmus supply price control
December 2014	Final Determination for firmus supply price control
April 2015	Ten Towns market opens to competition

14. Responding to the consultation

As a public body and non-ministerial government department, the Utility Regulator is bound by the Freedom of Information Act which came into effect on 1 January 2005. According to the remit of the Freedom of Information Act, it is possible that certain recorded information contained in responses can be put into the public domain. Hence it is possible that all responses made to consultations will be discoverable under Freedom of Information Act, even if respondents asked the Utility Regulator to treat responses as "confidential".

It is therefore important that respondents note these developments and in particular, when marking responses as "confidential" or asking the Utility Regulator to treat responses as confidential should specific why they consider the information in question to be confidential. Confidentiality disclaimers created automatically by your company's email system will not normally be treated as sufficient in terms of a confidentiality request.

This is an open consultation. We have not posed any specific questions in this paper. Instead we invite stakeholders to express a view on any particular aspect of the paper.

Responses should be received by 5 pm on Thursday 31 July 2014 and should be addressed to:

Lesley Robinson

Utiity Regulator

Queens House

14 Queen Street

Belfast

BT1 6ED

E-mail: Lesley.robinson@uregni.gov.uk