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Dear Paul,

DISCUSSION DOCUMENT ON GD17 OVERALL APPROACH

Thank you for the opportunity to comment on your initial discussion document for GD17 and apologies for this somewhat late response. With energy prices currently at a five year low, there is much re-contracting and tendering activity taking place now in all marketplaces.

We are please that this consultation process is starting well in advance of the delivery date. Previous consultations on gas appeared rushed and in our view, customers lost out in the process. This resulted in much aggravation and unbudgeted costs being imposed on business customers.

We are keen to ensure that the dialogue between us builds on the relationships we established after the publication of GD14. Gas conveyance and associated costs involve complex issues and customers need time to understand the principles involved and the implication for their businesses.

In GD14 we had lengthy discussions on “under recovery” costs for Firmus and these will no doubt continue into GD17. In GD14 under recovery costs were the major component to cost increases and we should wish to continue our dialogue on these key aspects.

We support the concept on longer price control periods as proposed in your discussion document. Our preference would be for the six year option. The longer periods should provide sufficient time for full customer involvement in the process and at the same time smooth the Utility Regulator's workload.

We are pleased to see that you intend benchmarking against gas transporters in GB. These comparisons worked well during the Electricity Price Control and in our view was one of the key factors which influenced the Competition Commission to deliver such a favourable Determination.

The proportion of gas transportation in the overall cost of delivered gas, is certainly lower in GB than in NI. We would expect such benchmarking to deliver cost savings to all customer categories under GD17.

We very much support the suggestion that a Large Customer Focus Group be established as part of GD17. In our view such a group would also enhance the electricity programme in addition to gas. Such groups already exist in GB and hold quarterly meetings with Ofgem. These regular meetings ensure that market and cost surprises are kept to a minimum.

Finally, we generally support the approach presented in your document and look forward to working through the issues with you as the process develops.

Yours faithfully

Don McGarrigle
MEUC NI Manager