



REVIEW OF SUPPLIER TRANSMISSION USE OF SYSTEM  
CHARGING

AIRTRICITY RESPONSE TO  
NORTHERN IRELAND AUTHORITY FOR UTILITY  
REGULATION

MARCH 2011

## INTRODUCTION

Airtricity welcomes the opportunity to comment on the Northern Ireland Authority for Utility Regulation's (NIAUR) consultation paper on the "Review of supplier transmission use of system charging"

## COMMENTS

We have always argued that it is important that simple, cost – reflective tariff structures and charges are in place and that the principles of appropriate cost allocation are clearly demonstrated.

As an Independent Supplier in the retail electricity market in both ROI and NI we pay for network usage at regulated rates. To this end a clear rationale and transparency with regard to the level and allocation of costs across regulated retail tariffs is essential. This allows meaningful analysis of how the tariff charges are constructed and the allocation of costs to particular customer groups.

In a developing competitive market there is a requirement for a **reasonable level of regulatory stability and certainty** in terms of determining cost reflective tariffs with appropriately allocated costs. We also believe that tariffs set on these principles provide correct economic signals for the development of a competitively efficient market.

With this in mind we are supportive of the move to a more cost reflective pricing structure around tariff and time bands as proposed in the paper.

Notwithstanding this it is good tariff practice when introducing a change in tariff methodology to **avoid step changes in customer charges**; particularly in the current economic circumstances. It is essential therefore that implementation must be carried out carefully, with transitional arrangements introduced to ensure a degree of price stability that recognises the investment customers may need to undertake in order to adjust their usage profiles.

This would also be the case with the proposed removal of the transmission rebates. While there may be a general argument that the original rationale for the transmission rebate is no longer valid, it is possible that it still holds true in specific cases. It may also be true that supplier purchase agreements include an element of rebate pass-

back to the generator. Therefore, rather than an immediate termination in all cases, we believe the rebate should be phased out over three or four years and consideration should be given to retaining the payment on a site-specific basis.

As stated above it is vitally important in a developing competitive market that reasonable cost allocation principles are demonstrated, and we welcome SONI's proposals in this regard. However we are concerned that the proposals to have an annual review of the percentage of lad related costs and allocations to each time band will **introduce a level of volatility and uncertainty to transmission charges that is not required.**

As previously stated it is essential that customers are provided with a reasonable level of price stability, in order to allow them make the required investments needed to take account of the new tariff structures.