

18 February 2010

Nicola Sweeney
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Dear Nicola

Thank you for providing firmus energy with this opportunity to respond to the NIE Energy Supply Price Control 2010 / 2011 consultation.

Having recently entered the electricity supply market, and given our longer term ambition to become a significant dual fuel energy provider in Northern Ireland, we are pleased to provide our view regarding NIE Energy's Supply Price Control.

We recognise that there has been increasing levels of customer switching between the incumbent and new supply entrants in the large IC sector. This progress is encouraging. However, the majority of small IC and indeed residential consumers have remained with NIE Energy which we believe dilutes the competitive successes within the IC sector.

In developing our strategy around a dual-fuel offer in Northern Ireland we have a number of concerns which we feel could hamper efforts to economically extend our reach into the electricity market in Northern Ireland.

These concerns include;

1. Supply margin of 1.7%

Given the lack of headroom between the NIE Energy tariff and the potential cost of supply for a new market entrant, the proposed regulated supply margin of 1.7% would, we feel, continue to prevent new suppliers entering this market.

Our own recent customer research would indicate that the key to customer switching is related to price and this will prove economically difficult to achieve given NIE Energy's low supply margin.

Low margins prevent new entrants competing for business, particularly given the high costs and risks associated with entering a new market sector. Coupled to this is the regulatory 'safety net' offered to the incumbent via a "k factor".

2. Further de-regulation

We understand that the current form of price control will remain “...with the possible exception for the proposed new tranch of deregulated customers. The new proposal for de-regulation being individual sites consuming more than 150MWhs per annum or Group entities where their collective sites would consume in aggregate more than 150MWhs per annum”

We would challenge any requirement for further de-regulation in a market that already experiences zero competition in the residential sector. We see little merit in adopting this approach and feel this approach will, in fact, hamper further competition within the electricity sector.

We are keen to see a clear roadmap outlining the Utility Regulator’s aspiration for competition within the electricity sector in NI. In the absence of this, we feel any form of further de-regulation for a dominant incumbent flies in the face of efforts by entrants like ourselves gaining a reasonable foothold in this market. We feel the Utility Regulator should take a holistic approach in considering the electricity market in Northern Ireland and NIEES should be treated as all other suppliers in order to create a level playing field.

We would therefore keen to outline our thoughts, regarding this proposal, in more detail, as part of the Regulator’s separate consultation exercise.

3. Further points for clarification

There are a number of points firmus energy would like clarified regarding the customer group >150 MWh. Whilst the consultation has detailed the number of sites this would encompass we feel there is a need to further clarify customer numbers and/or type of customers involved. We would therefore ask for the Utility Regulator to revert with further clarification on this.

Should you wish to discuss this response in more detail, please feel free to contact me.

Yours sincerely

Michael

Michael Scott
Head of Business Development