

Date: 17 September 2008

Elena Ardines  
Strategy Branch  
The Utility Regulator  
Queen's House  
14 Queen Street  
Belfast  
BT1 6ER

Dear Elena

**Re: Development of our 5 year Corporate Strategy**

Thank you for providing firmus energy with this opportunity to respond to the above.

As a relatively new entrant into the Northern Ireland energy scene, firmus energy is committed to working closely with the Utility Regulator to deliver against its corporate strategy over the next 5 years and beyond.

The natural gas industry now plays a pivotal role within the Northern Ireland energy mix. With the construction of two CCGT power plants, around 110,000 gas consumers in Greater Belfast and the ongoing development of the 10 towns along the North-West and South-North gas transmission pipeline, the N.I. energy landscape is rapidly evolving.

We have not responded to specific questions within the consultation, but rather, identified a number of key areas we wish to highlight;

**1. Statutory role:**

We note that the Utility Regulator has a duty to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland. firmus energy is currently involved in our second distribution price control review. We are working closely with the Utility Regulator's gas team to ensure that this principal objective is met. We are also mindful that there is a regulatory remit to protect the interests of gas consumers and ensure that we are able to finance our activities going forward.

We recognise that the scale of the Northern Ireland market reduces our ability to achieve economies of scale which would be typically seen in GB and indeed European markets. This unique situation is exacerbated by the significant up-front capital expenditure required in the early years of the 10 towns project plus the fact that we tend to serve low population density areas.

Therefore, we would welcome a discussion with the Utility Regulator to explore regulatory approaches and policy frameworks that could be tailored specifically to Northern Ireland's gas market needs. Set against this backdrop, we would support a view that comparisons with GB regulatory structures may not always be the most appropriate for the Northern Ireland gas market.

There are economic reasons towards promoting natural gas. These include increasing choice for consumers and offering a diversification of energy sources. firmus energy can confirm that we will co-operate with public, private and environmental bodies to promote a greater awareness and therefore greater demand for natural gas.

**2. Storage:**

We understand that the Utility Regulator is investigating options for additional gas storage capabilities in Northern Ireland. firmus energy, BGE Transportation and the Utility Regulator recently undertook a storage product trial by using spare capacity within the NW and SN transmission pipelines. We would be keen to discuss how this trial could be reinstated until such times as an Inventory Storage Service (*delivered as part of the CAG project*) is offered on an all island basis.

**3. Gas roll-out:**

firmus energy welcomes the suggestion that there should be a re-assessment of future gas extensions. We note that the 10 towns franchise areas have been identified as potential markets that would benefit from this review.

I can confirm that we will play our part in considering the optimum ways to promote the gas roll out in the most effective manner.

**4. Gas Market Opening – Belfast:**

firmus energy has played an active role within the Gas Market Opening Group. Under separate cover, we have furnished the Utility Regulator with a view of the issues, as we see them, within the Belfast market. We would keen to discuss these issues again with your office.

**5. Social Action Plan:**

Given the benefits derived from Energy Efficiency Levy we would welcome a discussion, on an industry wide basis, which would consider Social Action Plan obligations as well as the wider issues of fuel poverty, social tariffs and sustainability.

With at least 238,000 households exposed to fuel poverty, the extension of the gas industry, will undoubtedly help to address fuel poverty in Northern Ireland by offering vulnerable households affordable heating plus flexible payments options.

This would be especially beneficial for areas that have previously had to endure significant carbon pollution from coal burning appliances and where purchasing hyper-inflated 20 litre oil drums has tended to be the only means of fuel budgeting.

I trust you find these comments useful.

Yours sincerely

*Michael*

Michael Scott  
**Business Development Manager**