

Attention: Ursula Trolan,
The Utility Regulator,
Northern Ireland Authority for Utility Regulation,
Queens House,
14 Queen Street,
Belfast BT1 6ED

2ND April 2015

Electric Ireland response to Consultation on the Implementation of the Retail Energy Market Monitoring (REMM) Framework,

Dear Ursula,

Electric Ireland welcomes the opportunity to respond to the Utility Regulators Consultation on the implementation of the Retail Energy Market Monitoring (REMM) Framework.

The consultation paper followed a process that, crucially, has involved prior genuine engagement with stakeholders on the matters under consideration. We note also that account has been taken of similar market monitoring developments in RoI and of stakeholder input to the recent review of effectiveness of competition in retail energy markets, involving the Cornwall group.

Electric Ireland acknowledges the value of this approach and further notes that key principles of good regulatory practice (proportionality, consistency, transparency and accountability) are evident and emphasised throughout the consultation. Our overall comments therefore reflect a broad view that the consultation has captured reasonable levels of detail; and has largely dealt with most of the material and relevant queries we might have in relation to the introduction of this Retail Market Monitoring framework.

Our principal concern with the indicators proposed is in relation to the proposal to collect the margin information on a quarterly basis, with reporting on a rolling annual basis. Our view is that this will yield questionable value from quarter to quarter while imposing what we believe is an unnecessary overhead in the capture and reporting of the required data, particularly in the allocation of cost over the identified categories. Key factors that will significantly distort quarterly outcomes in a very material way include supplier hedging and risk management strategies, cost allocations, marketing / competitor activity. Supplier hedging activities and related risk appetite are core to margin outcomes in particular and will not be represented in any meaningful way in quarterly reporting, probably providing misleading outputs. Indeed it is likely that it will only be through review over a number of years that key trends will emerge. We request further consideration by the Utility Regulator in relation to quarterly reporting of the margin indicator.

Disaggregation, at the levels proposed in some instances, will also present some challenges but we acknowledge the Utility Regulators justifications as set out, including to the extent possible, consideration in relation to future proofing. In any event we believe that it would be useful after a reasonable amount of time has elapsed to build in pre-agreed review points which would allow exchange of views between stakeholders and the Utility Regulator in relation to the efficacy, appropriateness and reasonableness of the indicators / information being provided; and to establish if real value is being delivered in all instances ; and / or if improvements could be put in place.

From an IT development point of view we welcome the proposed testing cycles which allow for appropriate 'design, build and test' planning.

We request that where change is proposed after final decisions are made for whatever reason that it is done on a scheduled release basis, combining a number of change requirements where possible, to allow for efficient planning / resourcing etc.

In addition, and ideally, we suggest that consideration be given at this point to automation of this process to the largest extent possible using, for example, web portal capability. We realise that expected refinements / corrections in the short term may present some difficulties but this is standard IT development post-implementation activity which would normally settle down fairly quickly. In any event it would appear to be more cost effective if a single development cycle using automation was delivered from the outset.

Finally, given that that a similar exercise is currently being finalised in respect of the market monitoring framework for RoI and which the Utility Regulator has alluded to in this consultation; and where there are many synergies in the respective proposals and approaches, Electric Ireland encourages continued engagement between the regulatory authorities in the market monitoring area to allow for as much alignment of approach and effort as is practical and reasonable.

Yours sincerely,

Sean Doolin
Regulation Manager
Electric Ireland

Phone +353 (0)1 8934249

Mobile +353 (0)87 7980671

Email sean.doolin@electricireland.ie

Please don't print this e-mail unless you really need to.