

28th February 2013

Roisin McLaughlin
Gas Transmission
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ER

Dear Roisin,

Re: Implementing the European Gas Regulation (EC) 715/2009 in Northern Ireland.

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

Since 2005, firmus energy has brought the benefits of natural gas to over 18,000 homes and businesses in its network area, and in doing so we are;

- Maximising the development of our network, whilst seeking additional regulatory permission to extend our network to areas and customers that were not included within our original business plan assumptions;
- Developing a safe and robust gas distribution network;
- Maintaining the highest level of customer service of any regulated energy company in Northern Ireland¹; and
- Currently providing consumers with the lowest gas price in the United Kingdom.

Since our licence was awarded, we have:

- Invested over £70 million building our network in Northern Ireland, and we continue to invest around £10m per annum locally on network development and circa £5m per annum into the local Northern Ireland economy through our business operations ;

¹ Enquires and Complaints Report 2011-12, July 2012, Consumer Council.

- Looked to increase the number of consumers who can benefit from natural gas. Our business model projected that we would be undertaking 2,000 connections per year, however, currently we are at a run rate of circa 4,000 connections per year;
- Grown our business in an economically viable and responsible manner by initially targeting large industrial and commercial loads, new housing estates and public housing where refurbishment was planned;
- Maintained competitive pricing to encourage conversion to natural gas – rather than increasing our costs to ensure we receive early payback on our investment;
- Looked to extend the benefits of natural gas to as many consumers as possible. In addition to our original licence area we have negotiated with the Utility Regulator seven additional extensions (Portstewart, Ballyclare, Warrenpoint, Craigadoo, Coleraine Quarries, Bushmills, and Bessbrook) over and above our original “Ten Towns” business plan; and
- Undertaken our network development against a backdrop of falling house prices and reduced economic confidence.

firmus energy is committed to working with the Utility Regulator, DETI, the Consumer Council and other stakeholders to maximise the benefits of natural gas to consumers and the local economy in Northern Ireland, in a socially responsible and consumer focused manner. To that end, we welcome the opportunity to comment on this consultation paper.

firmus energy agrees with the Utility Regulator that Northern Ireland is obliged to implement Gas Regulation (EC) 715/2009 and that this will require a number of significant changes to the gas industry and current regulatory framework; therefore it is important that this legislation is implemented in a pragmatic and cost effective manner. In order for this to occur, the implementation project must have clear project goals and agreed timelines and milestones. In this regard, firmus energy believe that it is essential for the success of this project that there is early agreement on a single transmission code, and then the other elements of the project; single IT system, single TSO team, and a single control room will logically follow on from the code agreement.

firmus energy believes that the proposals for a single system operation in Northern Ireland will help to simplify the current processes and in doing so bring greater transparency to the overall system operation in Northern Ireland. Therefore we welcome the Utility Regulator’s proposals.

firmus energy believes that in implanting this legislation, the Utility Regulator should

first look to see what is best for Northern Ireland, both in terms of consumers and the gas industry as a whole, and then examine how this process can meet the requirements that will be part of the development of the single code within the EU network code process. If the process was to operate the other way around, there is a risk that although European requirements will have been met, possible benefits to consumers and the gas industry in Northern Ireland will have been missed.

In the absence of all-island Common Arrangements for Gas, firmus enegy believes the single NI transmission network code should address the issues relating to the use of the Interconnectors and South-North pipeline to ensure that customers in Northern Ireland are not disadvantaged either commercially or in the event of a network emergency.

Please feel free to contact me direct on 028 9442 7835, should you wish to discuss further.

Yours sincerely

John

John French
Head of Regulation and Pricing