

**19th April 2013**

Briega Tyrre  
Utility Regulator  
Queen's House  
14 Queen Street  
Belfast  
BT1 6ER

Dear Briega,

**Re: Third Energy Package consultation on further technical modifications to electricity and gas licences**

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

Since 2005, firmus energy has brought the benefits of natural gas to over 17,000 homes and businesses in its network area, and in doing so we are;

- Currently providing consumers with the lowest gas price in the United Kingdom;
- Maintaining the highest level of customer service of any regulated energy company in Northern Ireland<sup>1</sup>;
- Developing a safe and robust gas distribution network; and
- 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

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 ;

---

<sup>1</sup> 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 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 has always been committed to working with the Utility Regulator, DETI, the Consumer Council and other stakeholders in order 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 respond to this consultation.

We set out our comments below, tracking (for your ease of reference) the numbering used in your consultation.

**Question 1. Respondents are asked to provide any information or evidence they have which relates to the equality impact of the proposals in this paper.**

firmus energy are of the opinion that the anti-discriminatory aspects of these proposed licence modifications and indeed the general enhanced consumer protection measures, set out in The Third Energy Package, pay the necessary regard to the need to promote equality of opportunity as set out in Section 75 of the Northern Ireland Act 1998.

**Question 2. Respondents are asked to comment on the proposed drafting of the new provision in the accounts condition.**

New Provision:

*Without prejudice to any other provision of this Condition, the Licensee shall, on request, give the Authority and/or the Department (as the case may be) access to the Licensee's accounting records, policies and statements referred to in this Condition.*

In the seven years since our licence was awarded, firmus energy has looked to maximise the benefits of natural gas to consumers and the local economy. We have done this in a socially responsible and consumer focused manner, building on our integral brand values of:

- Clarity;
- Empathy; and
- Integrity

firmus energy therefore consider financial transparency, as well as open and honest regulatory communication, to be key pillars of its operational structure.

In addition to our licence requirements of providing accounting records and financial statements on an annual basis, and in the interests of improved regulatory transparency, firmus energy has worked with and provided the Utility Regulator with detailed annual cost reports to help provide enhanced transparency and regulatory understanding of our business. This has been in addition to our licence requirements to provide standards of performance, an annual development plan and to respond to reasonable ad hoc information requests.

firmus energy's licences, in common with other licences in Northern Ireland, already set out the obligation to furnish the Utility Regulator.... *in such manner at such times as the Authority may reasonably require...information as the Authority may reasonably require or as may be necessary for...the purpose of performing its functions.* This is a sensibly drafted condition, in line with good regulatory practice, supporting the information needs of the Authority while acting in a reasonable

manner. Therefore we suggest that this obligation should be amended to allow the Department to also make reasonable information requests.

firmus energy would like further clarity over the proposed new provision, and explanation over the precise financial information that can be accessed by the Department and/or Authority and the circumstances in which this request for information may occur. Furthermore we would request that the Authority/Department acknowledges that any request needs to be reasonable and that fair deadlines need to be provided to licence holders so that they fulfil their obligations in a reasonable manner.

**Question 3. Respondents are asked to submit any further comments they have in relation to the requirements of Article 25 of the Electricity Directive and the transposition of Article 25 into Northern Ireland licence conditions.**

Firmus energy has no further comments and no objections to the proposed Electricity Distribution licence amendments.

**Question 4. Respondents are asked to comment on the Utility Regulator's current proposals in relation to Gas Distribution licences.**

We agree that the proposed modifications will create consistency between the licences of PNGL and Firmus Energy (Distribution) Ltd and should ensure full transparency in the manner of transposition of Article 25(5) of the Gas Directive.

**Question 5. Respondents are asked to comment on the UR's current proposals in relation to Gas Transmission licences.**

Firmus energy has no further comments and no objections to the proposed Gas Transmission licence amendments.

Please feel free to contact me direct on 028 9442 7835, should you wish to discuss this in more detail.

Yours sincerely

*John*

John French

**Head of Regulation and Pricing**