

26 August 2011

Lesley Robinson
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ER

Dear Lesley

Re: Consultation on Third Price Control for Phoenix Supply Ltd (PSL)

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

Costs:

We note that costs allowed, as per PSL submission, relate to network maintenance, advertising, marketing and PR, legal and professional fees, office costs and manpower.

We also note the following costs have been disallowed - entertainment, network maintenance, advertising, marketing and PR (part of) and manpower.

Forecast Volumes:

The Utility Regulator (UR) has agreed that by 2012, 20% of domestic customers will have switched to an alternative supplier. Similarly, by 2013 this will increase to 30% - remaining at this level until the end of the price control.

We note that PSL's forecast was 5,000 new connections each year. firmus energy understands current connection levels are circa 8,000 per year. Therefore, we fail to understand how a developing gas market (~ 50% market penetration) is able to forecast a lower annual connection number than current levels.

There is an interim new connections process for IC customers in greater Belfast. However, PSL are the default supplier for new connections in the domestic sector. We are keen to see a new connection process for all customers which will provide consumers with a real choice of supplier from when they first connect to Phoenix's distribution network.

Information Technology:

We understand that information technology costs re: PAYG switching have been allowed. firmus energy would like to understand why an incumbent supplier has been allowed these costs.

Debt management:

We recognise that PSL's debt management processes require updating. firmus energy fail to understand why PSL should avail of a £100k allowance to improve debt prevention and management techniques in light of having had opportunity during the previous price control period to improve their debt management procedures.

Meter reading:

As a new entrant to the greater Belfast market, firmus energy are incurring costs re: meter reading on a daily basis. We feel that this function should be undertaken by the distribution company in line with the procedures within the electricity market.

Tariff announcement:

It is stated within the consultation that the tariff announcement date is 30 calendar days plus 5 working days before the effective date.

During the last PSL tariff announcement suppliers and customers alike were given very limited notice of the tariff (5 working days) prior to the tariff effective date.

This therefore placed a restriction on firmus energy confirming to our customers in the greater Belfast market what our own competitive offer (which is a “tracker” to the PSL tariff) was.

Adhering to the stated tariff announcement date will help to ensure customers can review their DD arrangements and manage their household budgets whilst suppliers will be able to communicate such changes in a more timely fashion than in previous years.

I trust you find these comments useful

Yours sincerely

Michael

Michael Scott
Head of Business Development