



3 December 2008

Neil Bingham
Gas Directorate
Utility Regulator
Queen's House
14 Queen Street
Belfast
BT1 6ER

Dear Neil

Re: Discussion Paper on the future of the Gas Retail Regime in Northern Ireland and the Republic of Ireland

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

firmus energy is broadly supportive of the principle to align retail arrangements on an all-island gas basis. However, we would point out that this can only be achieved once transmission arrangements are aligned. We also believe that this workstreams over-arching driver should be to deliver benefits to consumers in both Northern Ireland and the Republic of Ireland.

Recognising that the Utility Regulator's principle role is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland, as a subsidiary of BGE, we would be keen to replicate processes, procedures and indeed systems that have already been put in place within the Rol gas market. Indeed, it is our understanding that many of these arrangements have been instrumental in helping to facilitate supply competition. However, we would support undertaking a cost benefit analysis to consider the full impact by aligning an all island gas retail regime.

We also note the Utility Regulator's statutory duty to protect vulnerable groups. Indeed, we would be keen not to see measures that become overly onerous or indeed cost prohibitive for Northern Ireland consumers.

In response to the specific questions outlined in the consultation;

Q. What in your view are the key legal issues for consideration in developing a gas retail framework for Northern Ireland and the Republic of Ireland?

Northern Ireland's gas market is in its infancy. In fact, firmus energy and the development of its market, across the 10 franchise towns, is still at an embryonic stage.

Given that our licence stipulates that exclusivity applies for 8 and 5 years for I&C and domestic consumers, on a town by town basis, we would be keen to agree a more appropriate mechanism that would allow the 10 towns open to competition for all sectors, essentially at the same time.

We would therefore welcome the opportunity to engage with the Utility Regulator and DETI in relation to this matter.

Q. Do you think that the licensing regimes should be harmonised/ not harmonised in Northern Ireland and the Republic of Ireland or with Great Britain (please provide a rationale for your answer)?

firmus energy's distribution licence is unique roll out of the gas network across the 10 towns. However, specific social obligations within supply licences could be harmonised so that the customer offers are more closely aligned. That said, given that supply margins are low, we feel that suppliers should be encouraged to improve their customer service by offering, for instance, improved and more frequent customer billing.

We also feel it would be easier for both suppliers and customers if transmission and distribution charges were harmonised in terms of their publication dates.

Q. What are your views on the implications of separate shipping and supply licences?

We are unsure how such an arrangement could work and therefore would be keen to debate this fully with the Utility Regulator and the other gas market participants.

Q. Which market processes do you consider are the key processes? To what extent should processes be considered for harmonisation?

firmus energy considers the customer switching process to be one of the key processes that should be considered as part of all island retail harmonisation.

In Northern Ireland, it is imperative that timescales within the customer switching process are improved. Currently within the Greater Belfast market, the incumbent has the option to object to a customer switching up to D-8. This is wholly inappropriate and leaves new entrants to be left "long" on gas purchases.

Other processes that need to be reviewed include:

- Billing – there is an obligation to “submit an invoice (to the supplier) as soon as reasonably practicable after the billing period to which they relate.” We do not understand why this could not be D+1.
- Provision of Calorific values – CV's are only made available on D+7. This is wholly inadequate. We feel this should be D+1.

Q. What are respondent's views on a single Distribution code which set out the retail market processes and procedures, for the island?

A single Distribution code would, we feel, prove beneficial to opening the market. Wherever possible, this should be a core aim of the gas retail workstream so as to facilitate consistent contractual arrangements between network operators and suppliers across the island.

Q. From the perspective of the retail market, should there be a single unified code of operations (including transmission, distribution and retail processes) for the island?

As in RoI, a unified code should be a central theme of the retail workstream. The RoI market has clearly demonstrated that this approach has helped facilitate supply competition.

Q. What are respondents' views on separate Distribution codes and retail processes?

Do you think changes to these codes could be managed on an on-going basis while maintaining consistency between them?

firmus energy believes that in order to deliver long term benefits to consumers, encourage suppliers to enter the market and avoid undue complexity whilst at the same time providing a level playing field for all market participants, separate Distribution codes could provide unwelcome and added complexity for new entrants.

Q. Should a single IT interface for suppliers be considered as part of the Retail Market Alignment? Should compatibility with GB systems be considered?

Given that the RoI market already has a market messaging system, we feel it would prove beneficial to undertake a review, as part of this workstream, to consider interfacing the existing RoI system to facilitate competition in NI. This approach should undoubtedly deliver synergies as opposed to "reinventing the wheel" for what is a relatively small market.

Q. Would there be benefit to systemising market processes in Northern Ireland?

In order to achieve harmonised arrangements, on an all island basis, firmus energy believes that it would be beneficial to systemise market process, by in effect "bolting on" to the RoI system. However, for this to work effectively and indeed equitably, all market participants fully participate.

Q. Who should have responsibility for ensuring meter reading and other siteworks are carried out?

Given that meter reading is currently a supply activity in Northern Ireland, this will need to be considered further as it will undoubtedly have an impact on current licensing arrangements. firmus energy believes that meter reading should, as in the case in the Republic of Ireland, be performed by the Network Operator for the benefit of all suppliers. This would provide more transparency and consistency within the market.

Q. Should metering services be permitted to be provided on a competitive basis by multiple providers on the island?

Metering services need to be offered in a fair and consistent manner to all suppliers, without cross subsidisation. On that basis, meter reading should be offered by the most competitive basis whilst recognising the need to ensure that consumers' needs are fully met. Again firmus energy believes that, as the network operator, distribution companies should be used to provide meter reading services for all suppliers, as is the case in the Republic of Ireland.

Q. Should a single meter services provider be appointed for the island?

firmus energy does not consider the appointment of a single meter services provider as an essential component to enabling an all-island retail market.

Q. Is there a rationale for harmonising the customer categories in Northern Ireland and the Republic of Ireland?

We believe that harmonising customer categories in Northern Ireland and the Republic of Ireland should be a desirable goal for an all island gas retail market. We believe that it would help to provide clarity to consumers whilst enabling suppliers to offer transparent prices.

Q. If regulated tariffs were to remain unaligned would this impact upon shippers/suppliers ability to operate easily in both jurisdictions?

firmus energy believes that alignment would be desirable. However, it should be recognised that the markets in RoI and NI are at very different stages in their development and we would question whether, at this stage, this would be possible.

Q. What is your view on the harmonisation of the tariff timetables in Northern Ireland and the Republic of Ireland and why?

We feel that it would assist suppliers if all tariffs were harmonised. Varying dates would only cause confusion to both suppliers and customers.

Q. Respondents are asked for their views on the current SoLR arrangements?

We believe that current arrangements in NI seem appropriate. However, should market conditions, or indeed participants in the market change, we believe that current supplier of last resort arrangements would need to be reviewed.

Q. What is your view on the alignment of SoLR arrangements in the Republic of Ireland and Northern Ireland?

As above.

Should you wish to discuss any of this response in detail, please feel free to contact me.

Yours sincerely

Michael

Michael Scott
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