
CER Industry Forum

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General Observations

- Energy Matters
- Size Matters
- Cost Matters
- Simplicity should be valued over theoretical purity

Energy Matters

The reliable, secure and competitively priced supply of energy is a vital component to the cost competitiveness of Irish industry and the long-term development of the country.

Size Matters

- The CER must demonstrate that the scale of the proposed reform is justified in terms the size of the Irish market via a cost/ benefit analysis.
- Remember! In the Irish market the costs of reform are borne over the a relatively small number of consumers. (Cost of E&W pool- 50m customers. Cost in Ireland- 4m)
- The worst result for all, will be the establishment of the entire regulatory infrastructure to enable ‘competition’/ ‘optimal trading arrangements’, without tangible benefit from an Ireland Inc. perspective.

Cost Matters!

- Electricity prices to industrial consumer have increased by 20% on average, over the last 18 months.
- Proposed EU Directive on Emissions Trading- could increase electricity prices by 6% per annum, over the period 2005-7, in an ill-liquid emissions trading market
- Proposals for a national Carbon Energy Tax (2004) - A tax at €7.50 per tonne of CO₂ would increase electricity prices by 6.5%- rate could increase to €20 over a 3-4 year period.
- Proposed EU Directive on Energy Tax (Monti)- additive to all the above measures and if agreed will add €0.50/ MWh

Costs Matter!

- In this context, the CER must minimise costs of reform (transition costs and on-going transactional costs.)
- A thorough analysis of the deficiencies of the transitional trading arrangements is necessary as a basis against which to assess any change. (*still required*)
- The option of making targeted, incremental change to existing arrangements has not seriously been addressed, which may prove to have the most cost effective outcome.
- Benefits of reform must demonstrably outweigh the costs.

Specific Comments- Role of Demand Side

- The demand side can play an important role in ensuring security of supply, can allow a lower sustainable level of price and is extremely relevant in the context of a market with a tight security margin.
- Within the CER's evaluation criteria, the role for demand side participation is listed under 'environmental'- this would appear to underplay the importance of demand side participation in supporting allocative efficiency and security of supply.
- Future electricity trading arrangements must secure active controllable demand side response.

Specific Comments

- Welcome CER recognition that market design is only one component of an effective market, greatest benefit will only accrue with real competition in generation and supply.
- Welcome CER's study on E-W electricity interconnector.
- Ensure that final arrangement 'fits' with final proposals in the draft Electricity Bill 2002.
- Oversight/ Governance- IBEC welcome proposals for industry participation in this area.

Conclusion

*In considering a preferred option,
simplicity, relevance and cost-efficiency
should be valued over
theoretical purity.*

Thank you for your attention.