Ms. Caroline Johnston  
Commission for Energy Regulation  
Plaza House  
Belgard Road  
Tallaght  
Dublin 24

8th February 2006

Re: CER/06/002 - ESB PES tariffs and the transition to the SEM.

Dear Ms Johnson,

The IBEC Large Energy Users Working Group, representing Ireland’s leading energy consumers, welcomes this opportunity to comment on the Commission for Energy Regulation consultation CER/06/002 regarding ESB PES tariffs and the transition to the SEM.

Since 2001, large energy consumers in Ireland have incurred electricity cost increases in excess of 70 per cent on average. For companies with higher consumption profiles increases over 100 per cent have been absorbed. For many of these companies energy costs now range from 10 per cent to 50 per cent of their total cost base.

Unlike the power generation sector, large energy consumers in Ireland are unable to pass through these additional costs in order to be competitive in European and Global markets. Consequently, spiralling energy costs have contributed to the loss of 31,600 jobs in Irish manufacturing in the last four years.

While consumers recognise that certain limitations exist in the Irish market particularly relating to imported fuel dependency and legacy underinvestment in network infrastructure it is unacceptable that electricity costs exceed 20 per cent above the EU average.

The advent of the SEM in viewed by large energy consumers as an opportunity for the CER to refocus its attention on delivering cost competitive electricity prices rather than encouraging competition for competitions sake - a process which had undoubtedly failed.

Given the current failings in the market and the absence of competitive electricity supply it is the opinion of the IBEC Large Energy Users Working Group that the CER must continue its role in tariff setting for all customers. However, as mentioned in the previous paragraph the CER must refocus on achieving cost competitive prices.
With regard to options presented in the consultation for tariff setting over the SEM transition period Users would like to see the CER take action in their best interest over a period and process of great complexity. Security of supply, certainty and cost competitiveness are the crucial objectives. From the consultation descriptions it would appear that Option C is the most likely to deliver this – giving certainty to users for 18 months and allowing appropriate time to evaluate pricing for the variables that will comprise the ESB PES tariff in the gross pool market beginning in July 2007.

The consultation document also refers to slippage risk associated with the establishment of the SEM market. In line with wider IBEC policy it is the opinion of the IBEC Large Energy Users Working Group that the July 2007 deadline is crucial and every reasonable effort must be made to meet this date as part of a process to achieving a more secure and cost competitive market.

Should you wish to discuss any of the points mentioned in this submission please contact Patrick Dunne, Chairman, IBEC Large Energy Users Working Group or David Manning, IBEC at david.manning@ibec.ie.

Yours sincerely,

Patrick Dunne
Chairman, IBEC Large Energy Users Working Group