

Elizabeth Farrelly
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

15 April 2008

Dear Elizabeth,

ESBCS TARIFF PROPOSALS FOR 2008 & 2009 – CER/08/046

Thank you for the opportunity to comment on the above submission by ESB PES (“ESB”).

In principle, the proposals seem sensible, but until more information is available it is difficult to form a definitive view. The presentation by ESB on 11 April 2008 was appreciated, although more detail on the effect of these proposed changes would have been particularly useful. For example, understanding how many customers are affected by the General Purpose Tariff and to what extent, is crucial in understanding how this may translate into any rebalancing changes that might follow.

VPE would therefore appreciate further information, such as the affects on customers, tariffs, input costs etc, and a further opportunity to comment on these proposals before any final decisions are made; in the meantime, we make the following observations:

- **LVMD and LV LLF customers with Quarterly Hourly metering:** the proposed 7-band Seasonal Time of Day (STOD) structure affecting 1710 customers is a sensible move and consistent with energy efficiency objectives.
- **General Purpose Tariffs (24 hour & Nightsaver):** the proposal does not explain how many customers will be affected by this shift. From our analysis, removal of the lower Block 2 price for day energy rates under the General Purpose Tariff, should have negligible (if any) affect on Block 1 (the average customer use on this tariff is 18,000 kWh – well below the Band 2 threshold). In other words, the significant majority of customers do not trigger a Band 2

tariff rate, and when they do, not to a material degree. Should ESB's analysis differ, we would appreciate an opportunity to review and challenge their data.

Therefore, our expectation is for the Band 1 tariff to be the applicable rate for the new single band day tariff approach.

- **PPPT Tariff for Large Energy Users:** applying the individual 'Pool Price Pass Through' (PPPT) tariff to a further 370 customers is the right move, and consistent with making customers more sensitive to their individual energy demands.

- **Metered Public Lighting Tariff:** moving these 28 customers to the General Purpose rate is sensible and ensures consistency with all newly connected public lighting over 2kVa. This also raises the question whether more should be done for all those that are currently unmetered (under 2kVa), noting that new technology now exists to cost effectively measure and monitor all public lighting and thus help contribute towards Ireland's energy efficiency targets¹.

We also note the planned reviews by ESB into:

- the "Nightsaver Tariff" structure and its cost components;
- a "Green/Renewable Tariff" and its potential introduction; and
- the status of MV & 38kV connected customers on the General Purpose tariff (78 customers) and whether these should be on PPPT.

The early 'heads up' on these proposed reviews is appreciated. Similar to the tariff change proposals noted above, we look forward to receiving further information and an opportunity to comment before any decisions are made. For example, on the input cost components for any Green/Renewable tariff to ensure we are given the opportunity to highlight any emergent proposals that might affect the development of similar competitive green offerings. We also believe a move of the MV and 38kV to PPPT is appropriate, and in the event this does not go ahead, ESB should set out clearly its rationale (and supporting data).

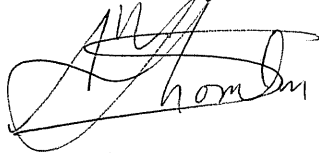
Concluding, it is important that sufficient transparency to the regulated tariff changes by ESB are given as much prominence as possible, and to a sufficient level of detail for market participants to be able to sensibly comment. It would be helpful if this further clarification were made available before the end of May, i.e. aligned with the Directed Contracts/Non- Directed Contracts process.

¹ New technology known as Central Management Systems (CMS) can remotely meter and control public lighting, with potentially significant environmental and economic benefits, at an efficient cost.

The competitive retail market remains fragile, noting in particular the sensitivity of those SME customers on the General Purpose tariff structure and the potential effects of any future rebalancing that might take place. These issues are of significant concern to VPE and we will therefore arrange to meet with the Commission to explain our concerns in more detail.

In the meantime, please do not hesitate to contact us if we can provide any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Thornton', with a large, stylized flourish above the name.

Tony Thornton

Consultant – Energy Regulation
(for VPE/Energia)