



Stuart Coleman
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24
Ireland

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Dear Stuart

FUEL VARIATION TARIFF (FVT) DRAFT DECISION PAPER (CER/09/087)

Thank you for the opportunity to respond to the above draft decision for the FVT scheme.

With 83% of the market share¹ still retained by BGÉ, we agree with the Commission's view that FVT as a sector is still some way off truly effective competition. Indeed, because of its importance to the development of competition, it is questionable whether any changes should have been made at this stage.

Nonetheless, we are pleased the Commission has decided to retain the scheme until sustainable competition has been demonstrated. This point about sustainability is an important one, i.e. it is not just about market share reduction, but where competitors are able to compete on price, service and innovation, and where no one company is able to exercise significant market power.

Once this has been achieved, we agree the scheme should no longer be required, however we would be most surprised if a sustainable competitive position were realised within the next 12 months. We therefore suggest a further review point in 18 months time, thus providing the market with a greater degree of regulatory certainty and a more stable platform for competition to develop.

The FVT Scheme has been left relatively intact, albeit bar the Commission's decision to adjust the booking window from 2 to 5 days. Whilst we would have preferred no change at all, we note the corresponding change to the quoted price window, i.e. will now hold for just one day to help manage the increased risk. For this to work alongside weekends and bank

¹ CER (June 2009), Fuel Variation Tariff, Draft Decision, CER/09/087



holidays, the Commission should ensure the booking window runs only from Monday to Thursday (i.e. 4 days) and only on Business Days (as defined by the Code of Operations). This approach would certainly be more consistent with the scheme's launch in 2007 and the Commission's FVT Decision paper (CER/07/097), in which the Commission considered it:

"...undesirable for a quoted price to be maintained for several days..."

On the subject of the secondary capacity discount, there is probably not much more we can add to what we already set out in our response dated 15 May 2009. We are still firmly of the view this represents a move against competition and therefore works against the aim of the FVT scheme. The alternative would be to distribute the discount via the network charge (UoS) to help mitigate the effects on competition, i.e. so that all customers in this bracket may benefit. From not taking a wider perspective, we also believe the Commission may be missing an opportunity to share the discount benefits with those customers that probably need it most, i.e. the smaller NDMs, where the effect of rising energy costs can have serious social welfare consequences.

Finally, we are disappointed that not all the responses were published. This does not help for a fully informed debate to take place, particularly where these confidential responses might relate to the incumbent, BGÉ. In the interests of market transparency, we encourage the Commission to be more challenging of respondent's requests for confidentiality to be observed, especially when redactions, or use of appendices, would assist with any commercially sensitive data.

Please do not hesitate to contact us if we can provide any further input to your considerations.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Tony Thornton". The signature is stylized with a large, sweeping initial "T" and "H".

Tony Thornton
Regulation Advisor

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