



**Response to  
CER Consultation on Fuel Variation Tariff (FVT)  
CER/09/055**

25 May 2009



## **Airtricity responds to the Commission consultation on the Fuel Variation Tariff (FVT).**

### **Q1: Fixed Charge**

*Do you agree with the components of the Fixed Charge? Is this charge transparent?*

Airtricity has no contrary views on the composition of the Fixed Rate Charge.

### **Q2: Capacity Discount**

*Do you agree with the current level of the Capacity Discount? What do you feel the appropriate level should be? Give reason why.*

Our view is that the Capacity Discount as currently administered creates a competitive disadvantage to independent suppliers. As an alternative we would propose that the revenues used for the Capacity Discount be distributed to the entire NDM sector through the transporter. This will achieve benefits for all NDM customers while at the same time eliminating a significant barrier to competition.

### **Q3: 2 Day booking Window**

*Do you agree with the 2 day booking window? Do you feel it should be longer/shorter? Give reasons why.*

Our view is that a 2 day booking window is sufficient.

### **Q4: Understanding of End Goal of FVT**

*What is your understanding of the goal of the FVT? When do you think it would be appropriate for the Commission to step back from regulating this sector?*

*Does the FVT deliver the intended degree of value to customers in the FVT Sector?*

In fully competitive markets, new tariff structures emerge in response to dynamic forces present in such markets such as identified opportunities, customer demand or attempts to counteract other participants' offerings. The FVT has not emerged this way, an indicator that competition is still feeble in the gas market.

The FVT is a mandated and regulated tariff which is offered by the incumbent regulated supplier, in addition to a number of other regulated tariffs. Were the Commission to step back from regulating just this sector, it will create a situation where the regulated entity offers both regulated and non-regulated tariffs.

We view this as unhealthy for the promotion of competition as a regulated monopoly can transfer value from its regulated businesses to the free market sector. For example how is cost allocation between the different parts of the entity in relation to, say, information technology provision to be

achieved? Would it be based on volume of transaction or amount of time spent using a system or some other metric?

Our view is that FVT should remain a regulated sector by the Commission unless various scenarios occur such as the gas market in Ireland no longer being under monopoly competition or the FVT losing its relevance. In any case we would propose that any such decision be properly consulted with the industry.

#### **Q5: Supply Margin**

*Should the supply margin be removed from the fixed Charge (the other components of which are primarily transport- related) and should it be grouped instead with other charges? If so give reason why?*

*Should the supply margin be grouped with the Gas Commodity Charge?*

We do not see any compelling rationale for changing the current grouping of the supply margin.

#### **Q6: CHP Opt Out**

*Should CHP customers be given the option to opt out of the FVT in favour of choosing an unregulated contract? If so give reasons why?*

*Should minimum criteria be developed to determine a CHP site's ability to opt out of the FVT regime include a minimum level of efficiency for the CHP plant and/ or a ratio of CHP to site energy requirements?*

We offer no views on this question.

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