

15/03/2011

Flogas Response to CER Consultation reference CER/11/035

Own Supply Cost

It is proposed to leave the Own Supply Cost charge of €640 per customer unchanged. We understand that this figure includes an allowance for bad debts of 0.5% of turnover being the historic trend level. This does not seem consistent with reports of higher bad debts due to the economic downturn. The Own Supply Cost charge should reflect the current bad debt experience.

We understand that the Own Supply Cost charge does not include any allowance for Sales and Marketing costs. BGES enjoys the benefit of trading under the same brand as BG Networks. In order to ensure a level playing field, an imputed cost should be included.

No cost is included in the Own Supply Cost charge for the cost of providing financial security. This is a real and increasing cost. It appears that as a semi-state organisation with a sovereign guarantee, that BG effectively ignores this cost. In the circumstances we believe that an imputed cost should be included.