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Dear Elizabeth,

Consultation Paper on Proposed Changes to Winter Peak Demand Reduction Scheme and Powersave Scheme 2011/12 (CER/11/165)

Energia welcomes the opportunity to respond to this Commission for Energy Regulation (CER) consultation paper on proposed changes to Winter Peak Demand Reduction Scheme (WPDRS) and Powersave Scheme for the upcoming relevant period, as well as proposals to transition to the total phasing-out the schemes for 2014.

With respect to the proposed rules for the upcoming year, it is not proposed that issues raised in response to previous annual consultations on this matter be reiterated herein, suffice to include that Energia has no specific comments on the proposed changes by Eirgrid to the 2011/12 rules at this time and we note there is no proposed change to the 2010/11 rates.

On the proposals to transition to the total phasing-out of the schemes for 2014, there are three specific issues that both deserve comment and need to be addressed;

1. Where is the basis for Eirgrid proposals on transition?
2. What is the objective of the proposed change?
3. What arrangements, if any, will be put in place for those customers to be excluded in 2012/13?

The consultation paper makes specific reference to Eirgrid proposals on WPDRS implementation in 2011/12 and 2012/13 to effectively phase-out the scheme. Curiously no basis is provided in either the consultation paper or the revised rules document for these proposals. Similarly, no justification is given for why large customers should be ineligible in the final year of the scheme. In the interest of good regulatory practice, Energia assumes that a formal proposal document was presented to CER by Eirgrid on these proposals and one would expect that such a document be published in association with this consultation. It is imperative that Eirgrid/CER provide the rationale for the proposals to the market, in the absence of which we are firmly opposed to any change to the scheme.

From the brief discussion included in the paper around the proposed changes to exclude large customers in 2012/13 it appears as though this proposal is primarily driven by an intention to reduce the cost of the scheme; *"[T]his will remove large customers from the*

WPDRS and has the potential to reduce total spend by about 40%.” However, one must recognise that the cost of the WPDRS scheme is directly proportional to the ability of customers, large or otherwise, to respond to the signals in the scheme to reduce peak load (as defined) and that excluding these customers from the scheme in its final year will remove what appears to be an effective incentive on them to engage in Demand Side Management (DSM). Therefore, it is unclear what the objective of WPDRS is, cost-minimisation or effective DSM.

Finally, and taking the previous two issues collectively, if large customers are to be excluded from WPDRS in its final year, what, if any, mechanisms are to be introduced to ensure the effective DSM responses these customers can provide continue to be provided in 2012/13. Should these mechanisms be forthcoming with respect to large customers in 2012/13, clarification of this is requested. Alternatively, should there be no proposals forthcoming, we would question the consistency of the CER message though out this paper that WPRDS would be phased out, subject to development of appropriate DSM products. This argument logically extends to the requirement to develop appropriate DSM products for large customers for 2012/13. Without further justification it appears as though Eirgrid/CER are seeking to discriminate between customer groups and arbitrarily choose the group they wish to continue to incentivise to engage in DSM.

Consistency in the policy approach to DSM is essential to ensure the benefits provided by participants are maintained. The absence of an appropriate product is not the responsibility of the participant but rather that of Eirgrid/CER, yet the proposals as outlined serve to remove large customer participants through no fault of their own. In fact, the reason for this exclusion is offered indirectly in the paper as their ability to deliver the required response in accordance with the signals/incentives faced by them. Excluding such participants without basis and failing to ensure there are appropriate replacement DSM products available for them represents a missed opportunity and would be a regrettable step in the expansion of DSM in Ireland. It would also appear contrary to the recent CER commitment to DSM and general policy designed to achieve domestic and EU targets.

In summary, the proposals as presented lack justification, appear discriminatory and targeted to ensure cost-minimisation as opposed to effective engagement in DSM, and in the absence of appropriate DSM products for large customers in 2012/13 will risk future engagement in DSM by these customers, an outcome contrary to recent CER commitments in this area and wider domestic and EU requirements.

Yours sincerely,



Derek Scully
Regulation Manager