REVIEW OF ELECTRICITY AND GAS SUPPLY LICENCES (CER/11/817)

AIRTRICITY RESPONSE TO
COMMISSION FOR ENERGY REGULATION

NOVEMBER 2011
INTRODUCTION

Airtricity welcomes the opportunity to comment on the Commission for Energy Regulation (CER) consultation paper on the “Review of Electricity and Natural Gas Supply Licences” (CER/11/817)

We accept the need to modify the current legislative and regulatory framework to take account of the recent transposition of consumer protection measures as part of the 3rd energy package and deregulation of the retail markets. While we are supportive of the need to make these modifications; we however believe that there are a number of key areas where the CER needs to provide greater clarity to ensure that the modifications deliver the desired results.

Our responses to the specific question raised in the consultation follow below.

Q1. Respondents are invited to comment on the proposal to align condition 20 of the electricity supply licence with condition 21 of the natural gas supply licence? Are you in favour of the proposal? Outline reasons for agreement or disagreement.

We support the proposal to harmonise the requirements in relation to Codes of Practice in both the Electricity and Gas supply licences. Given that dual fuel is offered by most suppliers within the market it makes sense that both licences have the same requirements in this regard.

We would however reiterate our concerns raised in our previous response to the consultation on customer protection, around the definition of a vulnerable customer. We believe that the definition of vulnerable customers should be practically useful and needs to be more specific than currently proposed.

Q2. Respondents are invited to comment on the proposal to align the conditions in the electricity and natural gas supply licenses pertaining to the provision of information to the commission (conditions 12 and 4 respectively)? Are you in favour of the proposal? Outline reasons for agreement or disagreement.

Again, while we support the move to harmonise these licence conditions, we strongly believe that wording of the modifications should be amended to ensure that information requested is reasonable and proportionate and must allow the licensee an
appropriate timeframe for providing a response. This should reflect the effort required to produce the data.

Q3. Respondents are invited to comment on the text of condition 22 of the Generic Supply Licence and condition 26 of the PES Licence prohibiting suppliers from offering tariffs that may incentivise unnecessary use (and in turn distribution or transmission) of electricity? Are you in favour of the proposal? Do you agree with the drafting of the condition? Outline reasons for agreement or disagreement.

Airtricity supports the drive for energy efficiency and agrees that customers should not be incentivised to waste energy. However it is hard to define exactly what is meant by incentivising unnecessary use of energy. For example how would this condition affect the ability of a supplier to offer discounted tariffs? A customer may consume a certain amount of energy at a cost with their current supplier, if a new supplier offers the same amount of energy at a reduced tariff in-line with its drive for customer acquisition; will this be viewed as incentivising unnecessary consumption? Tariffs with a block structure instead of standing charges could be construed as incentivising unnecessary consumption.

The Commission must set out a practical specific definition of what would constitute incentivising unnecessary consumption before enshrining this in the modification

Q4. Respondents are invited to comment on the text of condition 22 prohibiting suppliers from offering tariffs that may incentivise unnecessary use (and in turn distribution or transmission) of natural gas? Are you in favour of the proposal? Do you agree with the drafting of the condition? Outline reasons for agreement or disagreement.

As response to Question 3.

Q5. Respondents are invited to comment on the text of condition 23 requiring the licensee to offer supply for domestic or small business (DG5) customers if the licensee is actively supplying in those market segments? Are you in favour of the proposal? Do you agree with the drafting of the condition? Outline reasons for agreement or disagreement.

We support universal service, in that it ensures everyone is offered a baseline level of service. However the goal of this is to promote the availability of service in a reasonable and affordable rate; not to
encourage debt hopping. As such we believe that the universal service obligation should not apply to customers who have been flagged as being in debt or de-energised for non-payment in line with the current market processes. In relation to a de-energised customer, current market rules mean that they will previously have refused a prepayment meter and there is therefore a significant risk of non-payment. In this circumstance, a supply obligation should only exist if a prepayment meter is fitted.

Q6. Respondents are invited to comment on the text of condition 24 (27 of the PES) requiring the licensee to act as the SoLR if so designated by the CER? Are you in favour of the proposal? Do you agree with the drafting of the condition? Outline reasons for agreement or disagreement.

We support the proposed amendment, subject to clarification that, before being required to undertake this role by the regulator, the supplier must previously have indicated that they wish to be considered for the role of SoLR.

Q7. Respondents are invited to comment on the proposal to remove conditions condition 21 of the generic supply licence and condition 27 of the PES licence? Are you in favour of the proposal? Outline reasons for agreement or disagreement.

Airtricity supports this proposal. We have previously highlighted that we do not believe that these conditions serve any function.

While we support removal of Transitional Conditions that were required ahead of the SEM launch, we believe that a new condition should be added that requires all licensed entities within the market to cooperate and support market developments.

Q8. Respondents are invited to comment on the proposal to delete conditions 7 and 8 of the electricity supply licence? Do you agree with this proposal? Outline reasons for agreement or disagreement.

Airtricity supports removal of this condition.

Q9. Respondents are invited to comment on the proposal to introduce a new condition into the electricity supply licence to bind any Demand Side Units to the Bidding Code of Practice? Are you in favour of the proposal? Do you agree with the drafting of the condition? Outline reasons for agreement or disagreement.

Airtricity supports the inclusion of this condition; we believe that the Bidding Code of Practice (BCOP) must be reviewed to ensure that it
adequately reflects the characteristics of demand side units (DSUs) prior to this licence condition being implemented.

Q10. Respondents are invited to comment on the proposal to align condition 17 of the electricity supply licence (condition 21 of the PES licence) with condition 16 of the natural gas supply licence? Are you in favour of the proposal? Outline reasons for agreement or disagreement.

All suppliers must act in accordance with all legislative requirements. As such, we question whether any value is added by inclusion of this condition within the licence.

Q11. Respondents are invited to comment on the proposal to modify the definitions in the electricity supply licence to introduce reference to the licensed transmission or distribution activity rather than maintaining a reference to the 'Board'? Are you in favour of the proposal? Do you agree with the drafting of the definitions? Outline reasons for agreement or disagreement.

Airtricity supports this modification.

Q12. Respondents are invited to comment on the proposal to modify the definitions in the electricity supply licence to align with other relevant electricity licences? Are you in favour of the proposal? Do you agree with the drafting of the definitions? Outline reasons for agreement or disagreement.

Airtricity supports this modification. We agree with the drafting of the definitions.