

James Curtin
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Re: CER/11/221 – Market Monitoring in the Electricity and Gas Retail Markets

10 February 2012

Dear James,

The IBEC Energy Policy Committee (EPC) welcomes the opportunity to comment in relation to this consultation paper.

Business accounts for 66.3% of the market demand (MWHs) in the electricity retail market¹ and 60.1% of the consumption in the retail gas market². A competitive, sustainable and secure energy supply is a key concern for Irish business and national competitiveness.

While regulatory and international gas price movements in Q4 of 2011 put upward pressure on energy prices, the latest SEAI report on electricity and gas prices in Ireland for the 1st Semester of 2011³ indicated that the end price for business gas and electricity consumers generally remained close to or below the EU average for most consumption levels in the first half of 2011 (S1). Gas price movements, regulatory decisions and increased competition in the sector are generally cited as the reasons for the very positive improvement in our relative competitiveness in period S1, 2008 – S1, 2011.

As a key principle, IBEC supports effective and level competition for all participants in the market. We believe that effective competition can bring benefits to energy consumers in terms of improved product innovation, improved choice, and improved quality with the goal of lower costs in time.

¹ In Q3, 2011, see CER/12/007, Electricity Retail Market Report for Q2 and Q3, 2011 (CER, 19 January, 2012)

² Excluding consumption in power generation in Q3, 2011, see CER/11/217, Review of the Regulatory Framework for the Retail Gas Market - Competition Review Q3 2011 (CER, 19 December 2011)

³ Published in December, 2011

In supporting the CER's proposal to provide for further deregulation in energy retail markets in 2010⁴, IBEC outlined a number of principles that we believed would enhance competition in the market and our overall relative competitiveness, including the need to:

- Provide mechanisms for transparent and effective communication of market information to consumers in all market segments and the market overall and
- Deliver an effective market monitoring regime e.g. quantitative and qualitative indicators that competition is working.

The EPC acknowledges the EU policy of energy market liberalisation and the European Regulators Group for Electricity and Gas (ERGEG) guidance on retail market monitoring for electricity and gas⁵. We welcome on-going CER efforts to enhance market information, including this consultation and proposals to consolidate the various retail electricity and gas reports into a single quarterly retail report (CER/12/2007). As a business organisation, a market monitoring regime that assists energy providers and business consumers is welcome. In this context and with regards to the Government White Paper on Better Regulation⁶, we would like to offer some further principles that we feel would enhance the consideration of a new market monitoring regime.

Necessity and proportionality: market monitoring can enhance competition by providing information that allows market actors to make rational economic decisions in a timely manner. However a level or frequency of monitoring that is unnecessary or disproportionate compared to ERGEG recommendations or market conditions will lead to increased regulatory burden and unnecessary costs for consumers.

Effectiveness: in order for the market monitoring regime to be effective, data requests should be timely, properly targeted, relatively simple to provide and facilitate outputs easily understood by consumers. Increasing the granularity of data requirements is undesirable as it just increases regulatory burden and downstream costs for consumers.

Transparency: an eventual market monitoring regime should balance the principles of necessity, proportionality and effectiveness against undesirable monitoring that is too intrusive e.g. commercially sensitive data.

Consistency: the monitoring regime should complement not duplicate other monitoring exercises e.g. SEAI monitoring and reporting.

⁴ IBEC response (1/02/10) to CER/09/189, review of the regulatory framework for the retail electricity market – proposals on a roadmap for deregulation

⁵ Third EU Energy Package and Document E10-RMF-27-03 (ERGEG, 12 October, 2010)

⁶ DoT, 2004, (see; http://www.betterregulation.ie/upload/Regulating_Better_html/overview.html)

We hope that these comments prove constructive to the consultative process. If you have any queries, please do not hesitate to contact me (email: erik.odonovan@ibec.ie). Many thanks in advance.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Erik O'Donovan'.

Erik O'Donovan
Secretary
Energy Policy Committee, IBEC