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CER/13/181
Bord Gáis Energy Residential Gas Tariffs 2013-2014

13th August 2013

Dear John,

I am responding on behalf of Airtricity to the CER's consultation paper on Bord Gáis Energy (BG Energy) Residential Gas Tariffs 2013-2014. Airtricity supplies customers in the residential gas market, competing against the incumbent supplier, BG Energy and other market participants.

Our parent company, SSE has already submitted comments on the CER's consultation on financing the gas transmission network (CER/13/122), which we hope will be fully considered. We have a couple of separate comments to make on the BG Energy submission on residential gas tariffs for 2013/14:

- Increases in domestic tariffs are always difficult for households, but the submission makes the price drivers behind the tariff increase clear. They primarily relate to increases in network costs, particularly indicative increases in transmission tariffs that will be applied to all customers.
- Airtricity found the publication of indicative Distribution and Transmission Network tariffs at the beginning of August very helpful. Earlier publication of indicative tariffs helps all suppliers with the 2013/14 Gas Year budgeting process, even if those figures are subject to CER decisions that have not yet been taken. We would welcome a formal process that would allow a minimum of 2 months notice in advance of network tariff changes taking effect.
- The submission states that:

*"In accordance with its licence from the CER, BG Energy is obliged to charge this regulated tariff to all of its residential gas customers. BG Energy is **not** in a position to offer any other tariff or product to the residential gas customer segment while it remains regulated by the CER.*

While BG Energy are obliged to charge this regulated tariff to all residential gas customers, we are concerned that BG Energy have discounted the tariff set in the

Regulated Tariff Formula through a partnership with Tesco and have therefore in effect moved away from strictly applying the regulated tariff.

The gap between regulated prices and costs is set at 2%. Allowing BG Energy to squeeze this gap while retaining such a significant proportion of market share inhibits the development of full and effective competition and the ability of suppliers to compete against the dominant supplier.

- We would expect that BG Energy will reach the NDM market share deregulation threshold set by the Commission in CER/13/096 at some point during the 2013-14 tariff year.

The transition from regulated tariffs to deregulation will need to be managed carefully, particularly the return of any accumulated BG Energy over-recovery. Allowing any over-recovery to be returned to the BG Energy at the point of deregulation could damage nascent competition and sharpen any attempt to exercise market power. We'd suggest that an approach that returns any accumulated over-recovery at the point of deregulation through network tariffs benefiting all customers would be best to ensure that competition is not impacted.

In addition to the return of over-recovery to all customers, Airtricity requests that the CER examine appropriate restrictions that will be placed on BG Energy activity once tariffs have been deregulated. We are concerned that post deregulation in the electricity market the former incumbent has increased market share considerably in the domestic market with no trigger mechanism in place to address the position if they are to exceed the market share required to be deregulated in the first place. It is essential that a similar situation does not develop in the gas market and that appropriate triggers are put in place that would lead to reregulation should this arise.

I hope you find our comments on the BG Energy Tariff consultation paper and BG Energy submission helpful. If you have any questions regarding our response, please don't hesitate to contact me.

Fiona Hannon
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