Dear Emmet,

Re: Proposed Modification No.18.

Thank you for providing firmus energy with this opportunity to respond to the above.

Exit Point Tolerances:

We believe that companies like ourselves, with relatively few customers, are exposed to fluctuations in daily consumption. Given limited daily data, the chances of breaching the Exit Point Tolerance (EPT) and incurring punitive imbalance charges are high. We feel current EPT levels fail to take account of this unique situation.

As you are aware, two categories are applicable to Suppliers operating in Greater Belfast. The EPT for domestic consumers is 20%. The EPT for I&C consumers is 10%.

However, the incumbent, with a large number of customers benefits from a “Portfolio” effect of fluctuating consumption. Conversely, new entrants have limited profile data and do not benefit from a “portfolio effect”.

We understand that the incumbent has an ability to offer an averaged EPT based on their “customer mix”. We believe that this discriminates against new entrants and does not take account of new entrant’s unique position in the market.

We note that PTL reviewed the imbalance tolerances for Greater Belfast and it was determined that the percentage weighting for category 4 tolerances should be reduced. However, further work would be required to determine an appropriate level for the category 3 tolerances. We again note that the Utility Regulator felt such work could become part of a medium to long term solution – possibly as part of CAG.

firmus energy does not agree that EPT’s should be maintained, pending CAG. We feel that new suppliers are essentially exposed at a time when they are attempting to build market share. Indeed, given the level of exposure faced by new suppliers, we feel that this acts to penalise new suppliers – which fails to encourage competition within the Greater Belfast gas market.
**Imbalance Charges:**

We believe the existing imbalance penal rates in the Code are excessive. However, PTL believes relaxing the positive penal rate could add operational risk to their business.

We note PTL are prepared to reduce the negative penal rate from 1.7 to 1.5, provided Shipper behaviour remains consistent or improves. The change may help to reduce a Shipper’s positive imbalance and may reduce the quantity of system sells.

We fervently believe tolerance levels and penal rates should be set as favourable as possible. However, we understand PTL will only complete further analysis when they are confident that nominations are as accurate as possible and there is no added operational risk to the system.

In principle, therefore, we support the change to the rate but feel that this modification has not gone far enough and we believe that this rate could be reduced further subject to Shipper behaviour being maintained.

firmus energy understands that in ROI the second tier imbalance price is determined by whether or not the imbalance quantity is positive or negative. If the imbalance quantity is positive then the 2nd Tier imbalance price is the lower of 0.95 of SAP or the daily SMP sell price. If the imbalance quantity is negative then the 2nd tier imbalance quantity is the higher of 1.05 of SAP or the daily SMP Buy price.

We believe further consideration should be given to adopting RoI rates and I can confirm that we would be keen to be involved in any such discussions with PTL and the Utility Regulator’s office.

Should you wish to discuss further, please feel free to contact me direct on 028 94 427840.

Yours sincerely

*Michael*

Michael Scott
*Head of Business Development*