Dear Emmet,

PROPOSED MODIFICATION AND INITIAL MODIFICATION REPORT NO. 18

Thank you for the opportunity to respond to the above proposed modification.

Energia considers the imbalance regime in Northern Ireland (NI) a material barrier to effective retail competition for new entrants. There are two main aspects to the NI imbalance regime to consider; the tolerance threshold, and the imbalance price system, both of which are significantly different to the Republic of Ireland (RoI). For example, the tolerance threshold for daily metered customers in RoI is 40%, whereas for NI it is 10%, and the negative imbalance price system for NI is a multiple of 1.7 which implies a 70% penalty versus 1.05 for RoI which implies a 5% penalty.

The imbalance risks are considerably greater for shippers with a relatively small undiversified portfolio of customers and who cannot offer tolerance levels comparable with the incumbent. We welcome the modification proposed as a step in the right direction but remain convinced that a more substantial relaxation of the penal regime is warranted. The penal rates applicable in the RoI are much less onerous but no less effective and we are not convinced this can be solely attributed to the scale and liquidity of that market. There is a compelling case for further review of the penal rates applicable in Northern Ireland providing shipper behaviour remains consistent or improves.
As a new entrant shipper (NES) we were surprised to read on page 8 of the modification report that “It was the view of the NES and NIAUR that [a review of imbalance tolerances] may be part of a medium to long term solution possibly part of the ongoing CAG discussions and therefore was not progressed further at this stage”. This is certainly not our view as the current regime discriminates unfairly against new entrants who do not have the benefit of a legacy position in the domestic and small I&C market where a 20% tolerance applies (which can be weighted against the 10% tolerance that applies to the daily metered sector). The current exit point tolerance regime exposes new entrants as they try to gain market share and it should therefore be reviewed without delay.

Please do not hesitate to contact me if you would like to discuss this response in further detail.

Yours sincerely

Kevin Hannafin
Senior Regulation Analyst