



The Consumer Council

Elizabeth House,  
116 Hollywood Road,  
Belfast BT4 1NY  
Tel 028 9067 2488  
Fax 028 9065 7701  
e mail [info@consumercouncil.org.uk](mailto:info@consumercouncil.org.uk)

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Ref: PD20010622

Jean Pierre Miura  
Utility Regulator  
Queens House  
14 Queen Street  
BELFAST  
BT1 6ER

Dear Jean Pierre,

**Re: Policy Parameters 2011 Consultation Paper**

The Consumer Council is a Non-Departmental Public Body set up in legislation to safeguard the interests of all consumers, and particularly the vulnerable and disadvantaged. The Consumer Council is an independent organisation which operates to promote and protect the consumer interest.

We welcome the opportunity to respond to this consultation on the policy parameters for 2011.

It is the position of the Consumer Council that any change to the regulatory structure of the Northern Ireland Energy Market should only be undertaken if it is in the interest of the consumer. With fuel poverty levels in Northern Ireland reaching crisis levels, with one in two households struggling to adequately heat their home, it is important that the regulatory structures look to minimise the cost of energy to consumers.

From the information provided within the consultation, the Consumer Council is unable to gauge what is the best option for the consumer, both in the short and the long term. However, we expect the Regulatory Authorities to undertake robust analysis that will lead to the decision which is most beneficial to consumers.

The consultation suggests that no generator would be expected to generate at a loss if its short run marginal cost (SRMC) is higher than PCAP. Without more detailed information on why generators should not generate at a loss it

is difficult to comment. It is not known whether it is correct to assume that if SRMCs rise above PCAP then the generator would shut down.

However, losses made by generators should not be subsidised by consumers. It is necessary to ensure that generators run efficiently and that those running at a loss must do so at a cost to themselves rather than to consumers.

It is important to note that at certain times many renewable generators may run at a loss which can be offset through capacity payments. It is therefore plausible that renewable generators run with SRMCs higher than PCAP and should be expected to do so at no cost to consumers.

From May 2009 to April 2010 the SMP value was less than €70/MWh on 95% occurrences. Reaching the PCAP value is rare and therefore it may be feasible to consider reducing the PCAP to encourage future savings in SRMCs. These savings should in turn lead to benefits for consumers through lower prices.

Given that other measures are in place to prevent prices spiking a lower level in the PCAP of €700/MWh may be feasible. This would reduce the level of potential volatility, reduce risk and therefore make price forecasting more accurate through increased certainty.

The consultation compares data sets covering November 2007 to May 2009 and May 2009 to April 2010. It would be more informative if annual data sets were compared rather than one an 18 month period alongside one for a 12 month period. It would also be useful to compare annual data sets against a data set for the whole period from November 2007 to April 2010.

Given the levels of risk involved it may not be appropriate to use different parameters. However it may be appropriate to run additional analysis to examine under what parameters, if any, would result in lower costs to consumers alongside an acceptable level of risk. Any decision should be preceded by a full cost-benefit analysis.

The Consumer Council would like the SEM Committee to keep in mind that its primary objective of any decision is to protect the consumer.

I hope that these comments are helpful and are given due consideration. Please contact me if you require any clarification.

Yours Sincerely,

Andrew Murray  
Senior Consumer Affairs Officer