Viridian Power & Energy Limited

Energia House
62 New Forge Lane
Belfast
BT9 5NF

Tel: +44(0)28 9068 5941
Fax: +44(0)28 9068 5935

[By Email]

Kevin Hagan
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Colin Broomfield
Northern Ireland Authority for Utility Regulation
Queens House
10-18 Queen Street
Belfast BT1 6ED

22 March 2011

Dear Kevin and Colin,

Contracts for Differences - Option for Directed Contracts 2011/12

Thank you for this opportunity to respond to the above consultation. In the absence of clarity on the future of PSO related CfDs Viridian Power & Energy (VPE) submits this response in good faith and without prejudice to a future change in position[1].

VPE favours increased flexibility in DC product offerings and therefore supports offering DCs on a more regular basis before and during the tariff year, rather than just once for the tariff year.

However under current arrangements the DC pricing formula gives participants a degree of comfort about the price formation process, and when subscribing to DC volumes, that the scope for variation in the DC price is limited to any change in closing fuel prices on the day of subscription[2]. It also gives market participants certainty about DC volumes and eligibilities for the year ahead which is very important for planning hedging strategies. Using a Plexos

[1] The consultation paper states on page 3 that "market participants will have the opportunity to consider our position in relation to PSO CfDs in advance of the comment deadline to this DC paper (we will extend the comments deadline if necessary)".

[2] A DC formula would only move with fuel prices but Plexos can sometimes produce significantly different outcomes for reasonably small variations in fuel prices.

model only to determine DC prices diminishes these comforts and introduces new uncertainties that we strongly suggest could be addressed by:

1. Continuing to use the DC formula for the annual subscription window.

2. For quarterly products where the DC pricing formula is not used there is a need to know the price before agreeing to the volume. Publishing an indicative price 2-3 working days in advance of the subscription window for quarterly products (priced using a Plexos model only) would help to provide the market with a sanity check and feedback mechanism, with the possibility of delaying the subscription window if a problem is identified.

3. Applying a DC volume and eligibility floor based upon the annual calculation. This would importantly give ESB the same volume obligations as under current arrangements but would allow buyers and ESB to benefit from the sale and purchase of additional volumes.

4. Subject to 3 above, increasing the volume in quarterly auctions from 50% to 67% as this would allow market participants to better react to changes in their portfolios.

Finally, VPE would also encourage more DC volume in Baseload and Mid-Merit 2 products and less volume in Mid Merit 1 and Peaking products as the former are suitable for all customer shapes and have more universal appeal than the latter.

Please do not hesitate to contact me if you would like to discuss any aspect of this response or to arrange a meeting.

Yours sincerely

K Hannafin

Kevin Hannafin

Regulation Manager