



The Consumer Council

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Ref: PD20010898

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

Dear Jean Pierre,

**Re: Policy Parameters 2012**

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 2012.

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 at 44 per cent in Northern Ireland many households are struggling to adequately heat their home, it is important that the regulatory structures look to minimise the cost of energy to consumers.

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. It is important that PCAP is set at a level which will promote efficiencies by generators, which will lead to lower prices for consumers, rather than protecting generators from making a financial loss.

Financial losses incurred by generators should not be subsidised by consumers. It is important 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 and the ROC's system. It is therefore plausible that, at times, renewable generators run with SRMCs higher than PCAP and should be expected to do so at least at no cost to consumers.

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. This could result in more efficient pricing, leading to benefits for consumers, which will ultimately be realised through lower final prices.

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, ultimately by keeping the final price to consumers as low as possible.

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