



Budget Energy Ltd response to the

Consultation Paper on Proposed Imperfections Charges for 2015-16

15th July 2015

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Dear Bronagh,

Thank you for giving Budget Energy Ltd the opportunity to comment on the Consultation Paper on Proposed Imperfections Charges for 2015-16.

Below is our response and we hope that you find our comments helpful. If you need any further clarity on the points raised in this response, please do not hesitate to contact me at Robert.Thompson@Budgetenergy.co.uk

Yours sincerely,

Robert Thompson

Legal Assistant, Budget Energy Ltd

Proposed Imperfections Charge for 2015-16:

We welcome the proposed reduction of 8% in the outline imperfections charge from £177.6m to £163.5m. However, we would have anticipated a greater reduction to have been achieved through greater efficiencies and general market conditions that have been experienced in the last 12 months.

Mention is made of an estimate being made in the 2015-16 calculations for the inclusion of gas transportation charges in NI which have yet to be defined. For 2015-16 we believe it may be more appropriate to exclude these until they are agreed with any adjustment post implementation recovered through the K-factor adjustment.

2013 / 14 Incentive Outturn:

Again we welcome any initiative that aids reduction of imperfections charges. We would make the following observations in relation to the incentive fee of £2.5m proposed in the consultation paper:

- Is there a creditable external benchmarking process to verify that the fee is warranted in light of savings achieved taking into account general market conditions pertaining in the energy industry for the period in question? Although the transparency is welcomed, the adjusted Imperfections charge of £202m over the initial forecast of £165.5m would indicate a high degree of forecast inaccuracy notwithstanding the reasons provided in the consultation papers.

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- Comparison of actual outturn for 2013/14 of £150m per the consultation paper versus the original forecast of £165.5m could be argued to be a better reflection of efficiency showing a reduction of £15.5m in imperfections charges than the adjusted saving of £52m.