

Date: 19 June 2009

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Dear Frankie

Re: Consultation Fuel-Mix Disclosure in the SEM – Interim Arrangements (SEM-09-052)

Thank you for providing firmus energy with this opportunity to respond to the above.

We understand the Regulatory Authorities propose an interim approach for fuel-mix disclosure to be in force until the requirements set out in the “High Level Methodology for the Calculation of Fuel Mix Disclosure in the SEM” Decision Paper (SEM/09/033) are fully implemented. The proposed interim approach implies that suppliers shall publish average and supplier-specific fuel-mix and environmental impact information as well as, where applicable, separate figures on specific fuel-mix products offered to certain customers. It is also proposed that such information shall be provided on the bills to final customers as well as in promotional material.

In principle, firmus energy supports this proposal. At present, firmus energy is concerned about the promotional messages being used by other Second Tier Suppliers relating to “100% green” product offers in Northern Ireland, as there is no obvious methodology in place to validate whether the available green generation available to a particular supplier matches the size of their (GWh) customer portfolio.

However, in supporting this proposal, we feel that there is a need for the following points to be taken into consideration:

1. Provision of Customer-specific Fuel-Mix and Environmental Impact Information on Bills

The proposed solution implies that in situations where a supplier offers a product to a customer based on a specific fuel-mix and/or CO₂ emission level, the supplier shall present details on both the supplier’s average fuel-mix and the fuel-mix supplied to the customer on bills to that customer.

To fully support this requirement, significant investment will be necessary to facilitate the printing of customer-specific fuel-mix and environmental impact information as part of the billing/ invoicing run. The associated costs will need to be recovered from the customers through higher prices.

Alternatively, suppliers could pre-print bill stationary with generic fuel-mix and environmental impact information on it. To account for customer-specific information requirements resulting from customer offers based on a specific fuel-mix and/or CO₂ emission level, different stationary would need to be printed, increasing at the same time the complexity of the billing run (to ensure the relevant stationary is used for each customer) as well as the associated costs (increased costs for stationary provision due to need to order several smaller lots rather than one bigger one; higher time requirements of process due to increased complexity).

This may create a barrier to suppliers, particularly smaller new entrants, providing such customer-specific offerings.

A customer that has accepted an offer based on a specific fuel-mix and/ or CO₂ emission level may be taken on at any time during the year. If the supplier had not agreed such offers during the previous year, sufficient historic data for calculating the customer-specific fuel-mix and environmental impact information to be displayed may not be available and can therefore not be displayed. By the time the relevant historic information becomes available, the contract/ supply agreement with that customer may have expired.

We recognise a requirement to provide customers with specific fuel-mix and/or CO₂ emission levels. However, given the operational and financial difficulties associated with providing this information on a bill, we suggest the following.

- Fuel-mix and environmental impact information to be provided on the bill only comprises of data relating to market and supplier average
- More detailed information relating to specific customer-offerings may be made available separately, for example online or in separate information sent out to the customer
- The information relating to the customer-specific offerings could then also be based on a time period different from and more relevant/ up-to-date than the disclosure period

2. Provision of Fuel-Mix and Environmental Impact Information on Invoices

The consultation suggests that suppliers shall provide fuel-mix and environmental impact information on bills to final customers. However, the paper does not discuss situations where suppliers issue invoices and statements rather than bills to their customers.

It therefore needs to be clarified if the same requirements will apply to invoices as to bills, with no need for fuel-mix and environmental impact information to be displayed on statements (seeing that such information has already been communicated to the customer on the invoices).

3. Calculation of Radioactive Waste

The proposed interim approach implies that details on the radioactive waste associated with the average market fuel-mix, average supplier fuel-mix and, where applicable, customer-specific fuel mix shall be disclosed.

However, it is not clear how the information could be provided and how the radioactive waste figures shall be calculated.

4. Methodology for Calculation of Supplier-specific Fuel-Mix

The consultation paper proposes that the average fuel-mix for a supplier shall be determined based on;

- bilateral contracts for electricity generated on the island of Ireland and traded outside of the SEM pool
- power purchase agreements and relevant arrangements for electricity purchased from the pool; and
- bilateral contracts and related REGOS for electricity imported into the island of Ireland.

For any electricity supplied and not covered by the above, the UK residual fuel-mix respectively the average pool fuel-mix for the island of Ireland will be used.

We feel that this methodology is not suitable to accurately determine a supplier's fuel-mix as it does not allow for further differentiation of the fuel-mix purchased by a supplier from the pool. This will entail a disadvantage for suppliers that source an environmentally friendly fuel-mix from the pool (compared to their competitors), because the fact that their fuel-mix is comparatively environmentally friendly will not be reflected in the fuel-mix information to be provided by these suppliers. Whilst we understand that it will not be possible in the short term to implement a system that will allow for the suppliers' fuel-mix to be calculated accurately, we

feel that suppliers need to be entitled to highlight this shortcoming when displaying fuel-mix and environmental impact information.

5. Provision of Fuel-Mix and Environmental Impact Information in Promotional Material

The consultation also suggests that fuel-mix and environmental impact information provided by suppliers in promotional material shall use the same basic format as that to be made available on bills. Furthermore, any references contained in promotional material relating to fuel-mix and environmental impact information shall refer to information provided in that same basic format.

We understand that in order to enable customers to compare information provided by different suppliers, it is desirable for such information to be provided in a standardised format. However, we feel that suppliers should be given the opportunity to convey, in their promotional material, fuel-mix and environmental impact information to customers in a format they consider most suitable for their target market.

We therefore suggest that suppliers should be able to choose the format in which they provide fuel-mix and environmental impact information in their promotional material, as long as they make such information accessible to their customer in the pre-defined format as well, albeit not necessarily in the same promotional item.

6. Consistency between Interim and Enduring Methodology for Calculating Fuel-Mix and Environmental Impact Information

With a view to minimise the costs associated with the implementation of the requirements for disclosure of fuel-mix and environmental impact information, we suggest that the format of such information shall be the same for the interim and the enduring solution.

We would therefore welcome the opportunity to further discuss our views on the topic of fuel-mix disclosure in the SEM with the Regulatory Authorities should you feel this would be helpful.

Yours sincerely

Michael

Michael Scott

Business Development Manager