

13th August 2010

Mr Jamie Burke
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

Mr. Billy Walker
Utility Regulator
Queens House
14 Queen Street
Belfast
BT 16ER

Re: Proposed RAs option for all-island harmonised Transmission Loss Adjustment Factors

Dear Jamie, Billy,

firmus energy is firmly of the view that the Regulatory Authorities (RA's) Proposed Decision on Transmission Loss Adjustments Factors (TLAFs) is a good and sensible decision for electricity customers and also the long-term development of competition on the island.

firmus energy's ability to offer competitive and innovative product offerings to customers is dependent on our ability to access wholesale energy at *cheap* and *stable* prices. This Proposed Decision will aid both of these endeavours such that it will stabilise the wholesale market and support development of renewable energy. In turn, this will act to reduce wholesale prices and provide greater hedging opportunities.

The volatility of TLAFs prevents generators from entering into long-term contracts with retailers. This increases risks for market entry and expansion and also reduces the number and flexibility of products that can be offered to customers. The stability which will be provided by uniform TLAFs will provide greater opportunities for generators and retailers to plan and devise long-term strategies for their businesses. This will in turn deliver greater choice to and opportunities for competitors and customers alike.

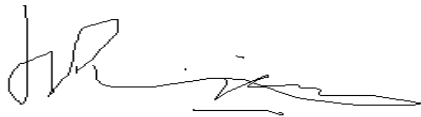
Certain parties have proposed that the draft decision to uniform TLAFs will drive up costs for customers in Northern Ireland through increases in the Public Service Obligation (PSO) underwritten by the Northern Irish customer. Although there may be a decrease in the actual rebate for 2010/11, the Proposed Decision will bring broader benefits to customers through

greater levels of competition, a rebate of carbon allocations and lower long-term wholesale costs, which should offset the suggested cost increase.

In terms of the PSO and the Generator User Agreements (GUAs) underwritten by the levy, firmus energy is concerned that their continued existence will act as a hindrance to the proper development of the market. Inevitably, every decision that effects generation on the island will impact the PSO. Decisions that improve the market should not be hindered in order to maintain a PSO levy which has historically been a cost burden to the Northern Irish consumer and has protected certain generators from competitive market forces. In summary we feel the issue here is with the legacy GUA contracts themselves, rather than transmission loss adjustment factors.

In short, firmus energy believes that the draft decision to uniform TLAFs is the best outcome for the development of retail competition in Northern Ireland and for the delivery of sustainably lower process for consumers. There is an inextricable link between the wholesale and retail electricity markets and therefore any decision which will work to enhance the wholesale market will deliver benefits to consumers through more competitive and innovative retail offers.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Prentice', with a long horizontal flourish extending to the right.

Mark Prentice
Managing Director