



Stephen Powell  
Commission for Energy Regulation,  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24

Tadgh O'Briain  
NIAUR,  
Queens House,  
14 Queen Street,  
Belfast,  
BT1 6ER

Mill House  
Ashtowngate  
Navan Road  
Dublin 15  
T:+353-1-869 2000  
F:+353-1-869 2040

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Dear Tadgh and Stephen,

**RE: BIDDING THE OPPORTUNITY COST OF CARBON ALLOWANCES**

VPE agree that the principles as set out in the consultation document are a useful test of the SRMC objectives, namely:

- it prevents the abuse of a dominant position;
- it promotes transparency;
- it leads to efficient dispatch;
- it sets the correct signals for investment; and
- by altering the pattern of dispatch and by raising the end-customer price of electricity, it results in lower carbon emissions than would otherwise be the case.

We agree with the Regulatory Authorities that if the full cost pass-through of carbon is allowed then the above objectives would be significantly undermined, and the market damaged as result.

VPE agree with the Regulatory Authorities that this is an issue for governments and that it would be inappropriate to seek to address this issue through regulatory means and distort the market in the process.

Best regards,

Garrett Blaney  
Strategic Development Director