



The Consumer Council

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Ref: PD20010693

Colin Broomfield
Utility Regulator
Queens House
14 Queen Street
BELFAST
BT1 6ER

Dear Colin,

**Re: Acquisition of Premier Power Limited by AES Corporation –
Consultation on the requirement for enhanced market power mitigation
measures within generation licences**

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 requirement for enhanced market power mitigation measures within generation licences.

It is the position of the Consumer Council that any change to the market power mitigation measures for generation should only be undertaken in the interests of consumers. With fuel poverty levels in Northern Ireland at 44 per cent, 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.

Within the SEM, AES Corporation (AES) has a market capacity share of 18 per cent, the second highest capacity share. This share remains below normally accepted market screening thresholds of other world markets and therefore the impact of this share on the SEM may be limited. The Herfindahl-Hirschman Index (HHI) indicates that the market concentration of AES within the SEM is only moderate both in terms of capacity and energy.

Outside the SEM and within a local Northern Ireland context the concentration of AES is considered high under HHI, particularly under scenario 1. Given the potential for market concentration within Northern Ireland it may be sensible to consider additional mitigation measures within the AES licence, which would provide safeguards for consumers in Northern Ireland.

There is a considerable risk to consumers in Northern Ireland in terms of price and security of supply as a result of AES's concentration in the market, particularly given their ability to withhold capacity. Given the increased market share, consideration should be given to a Condition that would direct AES to offer Directed Contracts. Such a Condition should only be implemented if it will provide benefits for consumers, which should ultimately come through lower prices. Conditions which aim to ensure a security of supply will reduce the risk to the consumer should also be considered.

Further mitigation measures should also be considered if the risk to the consumer is thought to be substantial as a result of the increased market concentration realised by AES.

The Consumer Council would like to raise the following points for the Utility Regulator to consider when coming to its decision:

- To keep in mind that its primary objective of any change is to protect the Northern Ireland consumer;
- To consider how the targets for renewable energy within DETI's Strategic Energy Framework are likely to impact on the long term future of fossil fuel generating plants in Northern Ireland;
- To consider how the planned north/south and east/west interconnectors, and any plans for further interconnection may impact on the economic analysis;
- To consider how the potential sale of power plants in Northern Ireland could impact on the future electricity market.

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