

Andrew Ebrill
Commission for Energy Regulation,
The Exchange,
Belgard Square North
Tallaght
Dublin 24

Colin Broomfield
Northern Ireland Authority for Utility Regulation,
Queens House,
Belfast
BT1 6ED

06 May 2011

Dear Andrew and Colin,

Re: 2011/12 Contracting Process, including PSO-related CfDs Information & Consultation Paper

NIE Energy Supply (NIEES) welcomes the opportunity to respond to the Regulatory Authorities (RAs) Consultation Paper on the 2011/12 Contracting Process, including PSO related CfDs.

NIEES welcome the confirmation by the RAs that PSO-related CfDs will continue to be offered for the forthcoming tariff year. As NIEES is one of the few non-vertically integrated suppliers active in the SEM, PSO-related contracts are an extremely important element of our overall hedging strategy and essential to offering price stability to end consumers.

NIEES has a predominantly domestic customer base on regulated fixed annual tariffs. To provide a sufficient level of price certainty NIEES requires the ability to secure sufficient hedges, for all, or a significant proportion of the tariff period prior to the tariff submission. It is therefore imperative that significant volumes of CfDs are available to facilitate this hedging requirement.

Additionally, NIEES believes having the opportunity to purchase hedges on the basis of a 12 month rolling window would allow suppliers to manage their portfolio over a more appropriate time period. This in turn dampens any underlying wholesale commodity movements and mitigates against price fluctuations to end customers. Further refinements of positions could be facilitated by monthly auctions, in advance of a given quarter, as with the current process.



NIEES consider the current mix of products as appropriate, however, would urge the RAs to assign a greater proportion of volume to mid-merit 1 as apposed to mid-merit 2 as this does not provide adequate weekend cover.

While this consultation is focussed upon the PSO-related CfD hedging process, NIEES would like to take this opportunity to reiterate the importance that market liquidity has on the prices offered to the end consumer. Contract scarcity is of fundamental importance to the effective operation of the electricity market, as such, NIEES would urge the RAs to continue to be mindful of hedging issues and seek to encourage greater contract liquidity.

Please do not hesitate to contact me should you wish to discuss this response further.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Philip Carson'.

Philip Carson
NIE Energy (Supply)