



IRISH SMALL AND MEDIUM
ENTERPRISES ASSOCIATION LTD

25th February 2011.

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

Dear Mr.Ebrill,

Re: SEM Market Power and Liquidity Consultation

ISME, the Irish Small & Medium Enterprises Association, the main representative body for Irish SMEs, welcomes the opportunity to respond to the consultation document on the 'SEM Market Power and Liquidity Consultation.'

Energy costs in general, but electricity prices in particular, are a significant consideration, in overall business costs for SMEs. The Association has been concerned at the level of electricity prices relative to our competitors and, until recently, the lack of adequate competition, especially for smaller companies. ISME believes the development of effective competition in the electricity market is essential in order to keep energy prices to Irish business as low as possible.

One of the main issues is the market share of the incumbent and the incentive to prevent appreciable competition to enter the marketplace. Since the market has been open to competition there is evidence that there has been an increase in competition, particularly over the last number of months in both the business and residential markets. However, from an SME perspective the key aspect is the price and the drive to ensure a competitive market, offering best value to the SME sector.

With regard to the specifics of the consultation, the Association wish to highlight the aspect dealing with the ESB and the separation restrictions between ESB's Generation and Supply businesses. The main issue is the level of competition and the increased efficiencies that must be achieved, which will lead to price reductions. With regard to market share, ESB's overall share of the generation market has gone from 100% to around 45%. Various controls were placed on ESB at that time to enable competition to develop. Of these controls, the business separation restrictions between ESB's Generation and Supply businesses were appropriate at that time but the question remains are they now disproportionate when the level of competition in the generation and supply markets is considered?

Unlike other electricity suppliers, ESB are prohibited from integrating their Generation and Supply Businesses.

- ESB cannot manage market risk in a way that is open to all other electricity suppliers operating in this market. This potentially is reducing pricing efficiencies and increasing costs that could be used to reduce the price to the end user.

THE INDEPENDENT BUSINESS ORGANISATION

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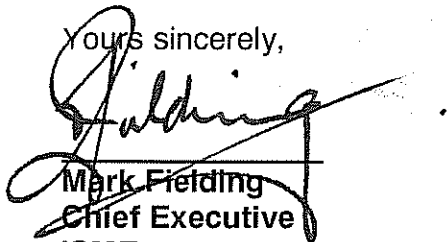
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- Other Suppliers use ESB as the "price-to-beat" in the market. Enabling ESB to reduce their costs by allowing full integration will put pressure on other suppliers to lower prices and ultimately benefit the business community, including small businesses.

It is vital that deregulation benefits all customers, including smaller businesses, and that a watching brief is maintained in this regard. It is necessary that competition is sustained and that consumers are protected. The Association is of the view that allowing proper integration between the ESB Generation and Supply Businesses can assist in promoting competition and lowering the costs to business on the basis that the Regulatory Authorities maintain a watching brief on developments to ensure that benefits are delivered.

Yours sincerely,



Mark Fielding
Chief Executive
ISME.

The Irish Small & Medium Enterprises Association.