

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

Monday, 14th March 2011.

Dear Mr Ebrill,

The Small Firms Association (SFA) is the largest small business organisation in Ireland representing over 7,500 companies and 8 affiliated organisations. As the voice of small business, the SFA is a full social partner, exclusively representing companies employing less than 50 people.

In the SFA's Annual Business Costs Survey, electricity costs were ranked as the No. 1 problem for small businesses. SME energy costs are ranked the third most expensive in the EU 27. Moving forward upward pressures on energy costs include the PSO and the carbon tax. The small business community were promised more competition and lower prices – all they have received is higher prices.

Energy is complementary to the rest of the economy. A failure to supply energy at competitive prices adds costs to businesses operating in Ireland, with consequential effects on business competitiveness. The small business community urgently requires a business-friendly energy policy, which ensures the secure, reliable, efficient and competitively priced delivery of energy, as a key ingredient for successful and sustainable growth of businesses, competing in a global marketplace.

I am writing in regard to the CER and NIAUR consultation on Single Electricity Market ("SEM") Market Power and Liquidity.

SFA's key consideration in responding to this consultation is that small business interests are protected and that the SEM develops in such a way as to ensure that end customers benefit from competition in the form of new and innovative products and lower prices.

To this end, SFA believes that for this to happen, all competitors including ESB need to be on an equal footing. We believe that the continued regulatory separation of different areas of ESB's business, results in ESB costs being higher than they would

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otherwise have been. The fear is that these higher costs and increased risks are passed onto and borne by end customers in the form of higher prices.

ESB prices effectively set the bench mark for all prices charged to end small business customs in the market. Competitors to ESB typically charge at discounts below the ESB rate. Hence, measures which serve to increase ESB costs and charges, have the result of increasing charges to all business end customers.

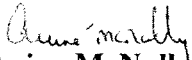
The SFA also have concerns that the continued business separation of ESB inhibits ESB reacting to the developing competitive environment. Consequently, ESB's competitors are afforded some protection from an effective ESB response to their competitive activities. This will reflect itself not only in higher prices being charged to end customers by ESB competitors, but also removes pressure from them to be innovative in the range of products that they provide. With competitive suppliers generally simply tracking ESB prices, the SFA believe that this behaviour has resulted in the distinct lack of innovative products being brought to the market.

SFA believes that the competitive market has developed to an extent where business separation of ESB is no longer needed. The market can flourish without such regulatory intervention, which is delaying the full benefits of competition from being enjoyed by end customers -- most notably lower prices. Business separation of ESB therefore should end.

If you have any questions in relation to this matter, please do not hesitate to contact me.

Kind regards.

Yours sincerely,


Avine McNally
Acting Director
SFA

C.C. Mr Colin Broomfield