



Clodagh Goodman
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

05 January 2024

Re: “Power NI Supply Price Control 2025 UR Approach Consultation”

Dear Clodagh,

I am writing in regard to the “Power NI Supply Price Control 2025 UR Approach Consultation” that seeks the views of consumers and stakeholders on the new price control that will replace existing arrangements for regulated tariffs that come to an end on 31 March 2025.

The Consumer Council

The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.

The Consumer Council has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.

The Consumer Council welcome the opportunity to respond to the consultation so that our feedback and that of the other stakeholders, can help shape the Utility Regulator’s (UR) final approach document for SPC25.

The Consumer Council would like to reaffirm our commitment to collaboration with the UR, and other key stakeholders so that the supply of electricity continues to meet the wide and varied needs of Power NI customers, both today and in the future and it works in the best interest of Northern Ireland consumers.

The Consumer Council would encourage the UR to ensure high levels of engagement and transparency relating to this Price Control so to understand and act upon the views and needs of consumers and stakeholders.

Pleased see overleaf our responses to the Consultation questions. We look forward to continuing our engagement with the UR and Power NI throughout the current and SPC25 Price Control Period.

Yours sincerely,



Raymond Gormley
Head of Energy Policy

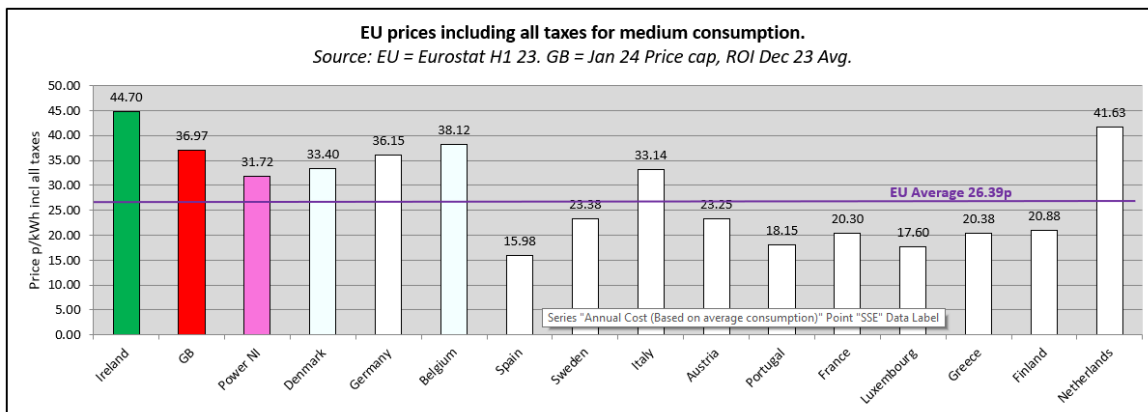
Q1. Do respondents agree with the proposed scope and coverage of the Power NI price control? If

not, please explain what you believe the scope and coverage should be, providing suitable evidence to demonstrate.

The Consumer Council continue to support having a regulated tariff model in place on a market share basis. The Northern Ireland energy market is relatively small in comparison to the rest of the UK, with around 842,000¹ domestic electricity connections, and only five (excluding Go Power) domestic electricity suppliers, four of whom are unregulated. Therefore, it is important to encourage competition. The regulated tariff does so by setting a price for other suppliers to match or beat while also providing a safety net for passive consumers less likely to switch supplier.

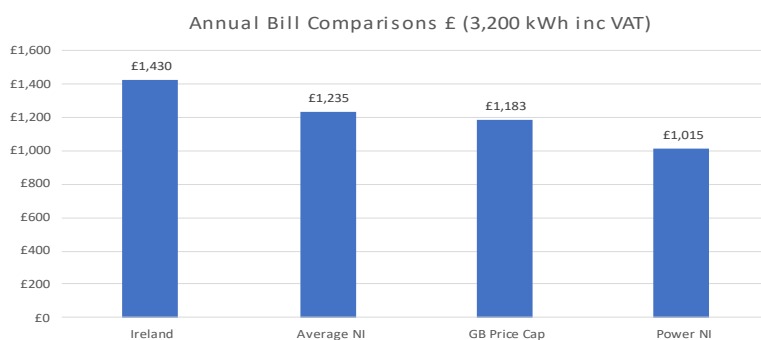
The regulated price per kWh for electricity in Northern Ireland has remained low in contrast with our near neighbours but higher than many other European countries (see Table 1 below). The annual bill comparisons are very competitive when compared with the unregulated electricity suppliers in Northern Ireland and with other jurisdictions (see Table 2). It is essential that the Utility Regulator continues to use the regulated tariff as a means to encourage Power NI to drive efficiencies and innovation in its business practices. Failure to ensure an efficient regulated tariff could lead to inefficiencies or undue profits across the Northern Ireland electricity supply market.

Table 1



Source: Power NI, 15 Dec 2023

Table 2



Prices are for credit customer, as at Dec 23 (except GB 1 Jan 24)
 Excludes any non-price government support (e.g. energy credits)

Source: Power NI, 15 Dec 2023

Q2. Do respondents agree that a duration of four years for the next Power NI price control is

¹ [Retail Energy Market Monitoring Report for Q3 2023 | Utility Regulator \(uregni.gov.uk\)](https://www.uregni.gov.uk/retail-energy-market-monitoring-report-for-q3-2023)

appropriate? If not, please explain what you consider the appropriate duration should be and why.

With twelve tariff reviews since July 2020² consumers enjoyed the benefits of very low energy prices during the pandemic, but later felt the repercussions of the fluctuating market when the invasion of Ukraine in February 2022 pushed up wholesale energy costs throughout the remainder of that year, to record high levels.

A shorter price control reduces the exposure of both consumers and investors to forecasting risk, but implementing a longer price control period will reduce the regulatory burden of carrying out short duration controls and also provide a period of stability. The concept of stability may provide some sense of reprieve following this recent energy crisis period. As the energy price guarantee has been reduced to zero since July 2023, the price of electricity remains significantly higher than pre-pandemic norm. Our recent pulse survey tells us that nearly two thirds (63%) consumers have had to cut back on their utility bills because of affordability issues.

The approach presented in the document seems reasonable at this stage. However, the Consumer Council will expect to see appropriate mechanisms in place in the draft determination to help minimize the risk of forecasting errors and, ensure Power NI is encouraged to improve its efficiency across the period.

Q3. Do respondents consider that the existing structure and form remains appropriate for the next Power NI price control? If not, please explain what you believe the structure and form should be.

We consider the structure and form is appropriate. And encourage the Utility Regulator to provide quality information throughout the process and a high-level of transparency regarding decision-making to enable consultees to comment properly on consultation proposals.

Q4. Do respondents consider the approach outlined for assessing the Power NI OPEX is appropriate at this price review? If not, please explain what approach you consider UR should take to assessing OPEX and the reasons why.

In relation to the proposal to collect approximately three years of financial data from Power NI, the last few years will have differed from any other price control period because of the unique set of challenges that COVID-19 and the energy crisis has had on established working practices. These, once in a generation challenges, all have all had significant national and international impacts on the energy markets, society and the wider economy.

In more normal circumstances, price controls are undertaken when future projections of key components including inflation, wages and other operating costs, capital costs and interest rates, are relatively stable and do not deviate much from recent historical trends. The UR should take all of this into account in their development of measures to manage uncertainty, and in their assessment of the overall risk profile for the sector.

The Consumer Council agrees with UR using the Consumer Price Index including owner occupiers' housing costs (CPIH) as it has become the lead measure of inflation, rather than using the Retail Price Index (RPI). Other regulators such as Ofcom, Ofwat and Ofgem have already moved to using the CPIH

² Eight tariff reviews and four adjustments for EPG.

in their current regulatory reviews.

The Consumer Council urges the UR to:

- Be transparent through sharing well evidenced data and decisions.
- Encourage appropriate spend and lowest-cost borrowing.
- Encourage high quality, well evidenced business plans.

Q5. What are respondents' views on the proposed approach to establishing a margin for Power NI?

The Northern Ireland regime has had distinct benefits which include clarity for consumers as to the 2.2% profit margin Power NI is permitted make and prices lower than in Great Britain for much of the last two years. Given the small market in Northern Ireland and limited consumer choice of suppliers it is important that the regulated tariff margin remains in place and continues to drive market competition.

The Consumer Council understand the high-level rationale provided for the proposed review of the scale of Power NI's margin and the method by which it is recovered. The proposed review of the relationship between risk and return to determine an appropriate level of margin for the next price control period must be fulsome and well-explained by the Utility Regulator. It is essential that stakeholders are provided adequate information and opportunity to engage with the detail of this review and its proposed outcomes in subsequent Price Control consultation documents and engagements. This is essential to ensure transparency and enable consultees to provide educated feedback regarding proposed changes.