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17<sup>th</sup> July 2012

Dear Sirs,

**Draft Determination on  
NIE T&D Price Controls 2012-17**

The MEUC is a customer lobby group which represents the views of Industrial, Commercial, Retail and Public Sector businesses throughout the UK. We have in the last month established a presence in Northern Ireland and have taken into membership several companies who have operations in the province.

We would comment on your consultation in general terms as some of the concepts and arguments are quite technical in nature.

**ECONOMIC CONSIDERATIONS**

In this current economic uncertainty it is very important that additional costs to customers are constrained as much as possible. Government looks to the business sector to lead the UK recovery out of recession. We are of the view that the proposed increases by NIE T&D are excessive in the backdrop of the Government's expectation on businesses and we therefore support your determination proposals as a more equitable approach.

**METHODOLOGY OF THE DETERMINATION**

The consultation proposals show an exhaustive approach to benchmarking NIE with other UK Distribution Network Operators (DNO's).

This activity is not restricted to the RP5 Price Control but also makes significant references and comparisons to the RP3 and RP4 price controls. We are very impressed by the thoroughness of this methodology and the attention to detail.

## **SPECIFIC ISSUES**

We would comment on some of the specific issues in the Determination which will strike a chord with our members.

Your price control analysis gives depreciation on plant and equipment of 40 years. In GB networks and it would appear also in NIE systems, equipment is being operated for 50 years plus. Our query would be that perhaps 50 year depreciation might be more appropriate.

The Composite Scale Variable assessment shows NIE to be 35% higher than the average UK DNO and a staggering 70% higher than similarly sized DNO's on the mainland. This is clearly an unacceptable level of variation.

Your assessment makes much reference to the operations of the wholly owned subsidiary Powerteam. We are concerned by your findings that there are no Service Level Agreements (SLA'S) or even benchmarking activities between Powerteam and other similar operators. We would support and encourage you in bringing to an end the current arrangements between NIE and Powerteam and the introduction of more competitive procurement activities.

We are alarmed that the NIE proposals, if adopted, will increase tariffs to Northern Ireland customers by 40% over the price control period (25% if interconnectors and renewables are excluded). At this time of business contraction through Europe we find it difficult to accept that these levels of increases are necessary.

We support your position that NIE should do more to reduce the amount of losses on the network. This has been an active strategy in GB networks for a decade or more. NIE appear to be dragging their feet on this element of energy transport and in our view this is not frontier technology techniques. The metering systems already in place for apportioning costs between generation, transmission and distribution could equally be used for the evaluation of losses.

We note that there is nothing in your documentation on the benefits that customer load management might have on network operation and subsequent infrastructure cost reduction. Perhaps this sits outside the scope of the remit? However, we would draw to your attention that in the GB market the actions of customers in load control and load shifting are being more highly valued by the grid operator especially as increased wind generation is installed on the network.

We trust you find these comment of interest and look forward to an early resolution of the Price Control debate. If we can be of any further assistance please make contact by telephone or email.

Yours faithfully

Don McGarrigle  
MEUC (NI) Manager