



Fiona Rooney
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

07 February 2025

Dear Fiona,

Power NI Supply SPC25 Price Control Draft Determination

I am writing regarding the consultation on Power NI Supply SPC25 Price Control Draft Determination.

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, water and sewerage. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.

We support the extension of the Price Control to four years, given the proposed risk mitigation measures outlined:

As we noted in our response to the consultation on the UR's approach to the Price Control, we broadly support the concept of cost sharing as an approach to mitigate the risk of cost forecasting errors. We highlighted that we wanted to see appropriate mechanisms in the Draft Determination to help minimise the risk of forecasting errors and ensure that Power NI would be encouraged to maximise its efficiency across the period.

We consider that the stability offered by a four year Price Control will be positive for consumers. The proposed cost sharing mechanism is consistent with those adopted in other Northern Ireland regulated businesses and provides potential savings for consumers whilst recognising that market shocks may occur which should be partly borne by consumers.

We would expect the annual calculation of the operational costs and other costs covered by the mechanism to be reviewed by the UR to ensure that any increased costs have been incurred efficiently, thereby minimising any additional burden on consumers.

We agree that Power NI's margin should be calculated for a regulated business rather than for a standalone company in a competitive marketplace:

Power NI supplied 61.1% of the domestic electricity market in Q3 2024¹, which is more than three times greater than the next largest supplier. Its forecast for the Price Control period assumes its market share will grow to around 70% of NI's domestic electricity customers. This suggests that the domestic electricity market is becoming less competitive and the importance of regulation is increasing.

It is clear that Power NI has a dominant position in the domestic electricity supply market and we agree that its margin should be regulated. The analysis undertaken by First Economics for the UR² suggests that maintaining the profit margin at 2.2% allows headroom to manage changes in capital requirements or unforeseen changes of circumstances. We therefore support the proposed profit margin of 2.2%.

We understand that the future market price for energy impacts Power NI's margin for a given number of customers and broadly support the proposal to allow the margin to vary with both customer numbers and the market price of power:

We recognise that the allowed margin has historically been allowed to vary with changes in the number of customers and accept that changes in the market price of power (for a given number of customers) should not impact the margin that can be made by a regulated supplier operating efficiently in the market (enabling it to finance its activities). Linking annual margins back to the values determined at the start of the Price Control is logical and practical. However, it would be helpful if the UR provided the analysis supporting the 25% and 75% factors used in the calculation, to provide justification for the assumptions.

We support the continuing review of the methodology and cost drivers used for operating expenditure allocation:

The UR indicate that they have reviewed the existing cost allocation methodology and propose to continue to use it, and to keep the current cost drivers, subject to on-going review. We support this approach and emphasise the importance of the review process to ensure that electricity tariffs for consumers are based only on those costs relevant to the domestic market.

We recognise the need to allow for additional depreciation costs linked to the energy transition in the Price Control but stress the need for oversight of cost proposals to ensure that the relevant projects are in the interests of domestic consumers:

We support the UR's view that they will need to see detailed proposals on the nature and scope of Power NI's "digital engine" project and smart meters project, including deliverables, associated costs and demonstrations that they are in the interest of domestic consumers. We note that there is a wide range of digital awareness across the consumer population and that proposals should recognise the differing needs of consumer classes and ensure that no customer group is disadvantaged by an increased focus on digital services.

We look forward to continued collaboration with the Utility Regulator and other key stakeholders so that the regulated supply of electricity continues to meet the wide and varied needs of Power NI customers at least cost.

Yours sincerely,



Raymond Gormley
Head of Energy

¹ 2024 Q3 QREMM

² Power NI: Profit Margin, 21 October 2024