



**MAJOR
ENERGY
USERS'
COUNCIL**

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Dear Veronika,

RESPONSE to GT17 CONSULTATION DOCUMENT

The Major Energy Users Council represents the views of large energy users across the United Kingdom including Northern Ireland. In our membership, we have users operating in the Industrial, Commercial, Retail, Public Sector and Utilities arenas. The volumes of gas and electricity used by our member companies accounts for some 25% of the national demand.

We thank you for the opportunity to comment on your GT17 Consultation Document. Our comments and observations are of a general nature as we do not feel we have the expertise in the technical and financial matters to argue authoritatively for or against the proposals.

However, we can state from the outset that we are impressed by the high standard of your investigative work and the attention to detail embodied in the Consultation.

WIDER CONSULTATIONS

We are appreciative of the level of consultation in GT17 with consumers, the industry and other stakeholders, and with the use of comparable operators in other part of GB and ROI. Comparisons with the approach taken by other regulators is also an important factor for consumers. The experience and approach of all those external experts should add some balance and standardisation to the final determination.

We also support the alignment of the price control review periods as being the most efficient way of making comparisons, the inclusion of best practice and meaningful benchmarking activities

JOINT SYSTEM OPERATOR

We very much support the proposal for a Joint System Operator in the form of a contractual joint venture (CJV) to be in place from the commencement of the Price Control in October 2017. We believe this approach will improve efficiencies and reduce costs. There may be some further apportionment of cost discussions needed with each of the operators but in our view this can be an ongoing action as the concept develops.

ASSET REPLACEMENT

There are several mentions in the Draft Determination that assets will be 25 years old at the end on this GD17 price control period and Operators have submitted costs for such asset replacement. We would not regard 25 years as being particularly old for assets of this sort. In comparison, electrical assets can have a life expectancy of 40 years plus prior to replacement. We agree with the UR that Operators should be required to provide Asset Management Systems detailing those assets which require replacement within the term of the Price Control. Data from the GB National Grid asset replacement programme may be helpful in assisting with the strategy in NI.

WEIGHTED AVERAGE COST of CAPITAL (WACC)

We support the level of WACC applied by the Utility Regulator to each of the four operators. These are low risk businesses, not subjected to the same international competitive pressures as most of our members. It is extremely important to our members that costs in NI be as low as possible. The lower WACC levels will help to some small degree, in maintaining an element of competitiveness for NI customers. We need not remind you that NI gas prices are some of the highest in the European Union. Any measures taken to reduce the impact of price rises is very much supported by MEUC.

PASS THROUGH COSTS

Several costs in the Draft Determination appear to be subjected to a "pass through" criteria. It is of critical importance that these be reviewed in detail as and when they are brought forward.

SOCIAL ENHANCEMENT FUND

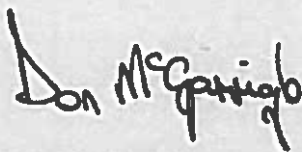
We support the proposal to set the Z factor to zero in the next Period. However we also support a review the Social Enhancement Fund mechanism during the course of the Price Control period. If no acceptable project can be proposed and agreed by all Stakeholders, it would be our preference to see the funds re-distributed to the consumer base.

CUSTOMER IMPACT

The TSO proposals are calculated to result in a cost increase of approximately 10% for domestic consumers. This is likely to be more in the region of 15% for business users. We therefore support the proposals of the Utility Regulator in this Determination which will limit these increases to very low single percentage point increases.

We thank you again for the opportunity to comment on this extensive document. We hope our general comments are supportive and encouraging as we move into the final stages of the consultation process.

Yours faithfully

A handwritten signature in black ink that reads "Don McGarrigle". The signature is written in a cursive, slightly slanted style.

Don McGarrigle
MEUC NI Manager

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