



**Further consultation on certain matters relating to the Price
Control 2015-2020 for the Electricity System Operator
for Northern Ireland (SONI)**

May 2017

1 Introduction

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

1.2 The Consumer Council welcomes the opportunity to respond to the Utility Regulator (UR) further consultation on certain matters relating to the Price Control 2015-2020 for the Electricity System Operator for Northern Ireland (SONI).

2 Pensions

2.1 As we stated in our response to the UR RP6 Draft Determination consultation, the Consumer Council remains “of the opinion that regulators ought to minimise where possible allowed revenues in respect of deficits linked to pension schemes.”

2.2 Pension deficit is an area of expenditure that has no material benefit to consumers. It is imperative that SONI embraces the principle “to reduce all costs, including pensions in order to become an efficient operator.”¹ We echo Manufacturing NI’s statement that consumers and businesses in NI should not “be unduly burdened by a very generous scheme.”²

2.3 We ask the UR to apply the same principle when assessing further its final position in respect of SONI’s allowed revenues for pension. Therefore we are disappointed with SONI’s opposition to abide by the UR Pension Deficit

¹ Point 35 of the Further consultation on certain matters relation to the Price Control 2015-2020 for SONI, 11 April 2017.

² Manufacturing NI response to the Draft Determination to the Price Control 2015-2020 for SONI, 15 May 2015.

Recovery Paper³, including the introduction of a cut off date of 31 March 2015.

- 2.4 The document is based on the regulatory precedent set out in the Competition and Markets Authority (CMA) RP5 Final Determination (FD), and therefore we accepted the outcome. However, the Consumer Council remains of the opinion that the pension principles, arrangements and allowances for pension deficits are overly generous to utility companies and work against the interest of consumers. Therefore we oppose strongly any changes to the current policy that increases SONI's allowances.
- 2.5 The Consumer Council notes the lack of evidence to support SONI's request for an 8% employer Defined Contribution (DC). The company states that this is "necessary to retain/attract workers." We would expect the company to provide a comparison of its staff turnover rates with similar companies in NI, ROI and GB, as well as details of recent recruitment that it may have declared vacant. In the absence of this evidence we support the UR's proposed 6% employer DC allowance.

3 Changes of law

- 3.1 The Consumer Council recognises the need to have an uncertainty mechanism built into the price control to adjust allowances if this is required as a result of changes of law or regulation. However, this mechanism ought to be operated in a way that provides a more balanced system of appeal or redress between SONI and consumers.
- 3.2 The current provisions do not work in the interest of consumers in that only the licensee can bring forward a change of law to the UR. This process is outlined in points 77 and 78 of the consultation paper.

³https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/UR_Position_Paper_-_Pension_Deficit_Recovery_v1_0.pdf

- 3.3 We support strongly the new proposed paragraph 6.1 of Annex 1 as it will ensure the interest of consumers are safeguarded if a change of law or regulation decreases SONI's revenue entitlement. From a consumer perspective it is imperative UR implements these changes in the FD.
- 3.4 We note SONI's objection to a requirement to break down costs information resulting from changes of law into internal and external. The Consumer Council believes that this additional information can only add transparency to the regulatory process and further assist the UR to make decisions that are sound and balanced. Therefore we support the additional requirement.

If you require further information or you wish to discuss any aspect of this response please contact Paulino Garcia on 02890 251645 or Paulino.Garcia@consumercouncil.org.uk.



Floor 3
Seatem House
28-32 Alfred Street
Belfast
BT2 8EN

Freephone: 0800 121 6022
Switchboard: 028 9025 1600
Fax: 028 9025 1663
E-mail: info@consumercouncil.org.uk
Website: www.consumercouncil.org.uk