



Nicola Sweeney  
Utility Regulator  
Queens House  
14 Queen Street  
BELFAST  
BT1 6ED

18 February 2010

Dear Nicola,

#### **NIE ENERGY SUPPLY PRICE CONTROL 2010 / 2011**

The Consumer Council for Northern Ireland welcomes the opportunity to comment on the Utility Regulator's consultation paper 'NIE Energy Supply Price Control 2010 / 2011'.

The Consumer Council's role is to give consumers a voice - and to make sure that voice is heard by those who make decisions that affect consumers. The Consumer Council was set up by statute in 1985, as a Non-Departmental Public Body, to promote and safeguard the interests of all consumers in Northern Ireland.

The Consumer Council has certain specific responsibilities for energy, passenger transport, and water.

The Consumer Council welcomes the Utility Regulator's decision to continue to apply price controls on NIE Energy (NIEE) for 2010/11.

The electricity market in Northern Ireland has been open to competition for domestic consumers since 2007. NIEE is still the only domestic supplier in Northern Ireland. In the absence of competition the Consumer Council recommends that price controls are set by the Utility Regulator for NIEE to prevent monopoly profits being realised.

NIEE price control should be reviewed and the Consumer Council welcomes the recognition that a long-term review is required. The reviews should take account of best practice and benchmark against industry standards as mentioned in the consultation document. Multi-year control would be ideal but the Consumer Council agrees that one year price control would be most efficient course of action for the time being, given current economic and market conditions.

The Consumer Council is in agreement that allowed operating expenditure should not remain at the 2009/10 level of £19.25 million. The Consumer Council is of the view that efficiency gains in 2008/09 would have been realised in 2009/10 and also in 2010/11. The Consumer Council believe that the reduction in allowed operating costs should be achieved through increased efficiency resulting in reduced operating costs. Reductions in operating costs should have a knock-on effect to the price paid by consumers.

The onset of competition in the energy market is to be welcomed, but competition should not be at the detriment of any consumer. Competition should promote more efficient supply and encourage cost savings which will lead to a reduced supply prices for consumers. Price competition should also help to drive down the price paid by consumers, and improve the overall levels of service.

The Consumer Council agrees with the reduction of operating costs proposed by the Utility Regulator. This reduction in allowed operating costs should be achievable by NIEE through more efficient practices which will be required to remain competitive with other suppliers.

Competition in the energy market will only be viable if the benefits to the consumers are realised. There is potential that, in extreme cases, competition can have a negative effect on consumers and result in higher prices. It is therefore essential that competition provides consumers with lower prices and improved levels of service. It is also vital that competition in the energy market should not result in any additional cost to consumers given the high levels of fuel poverty already experienced in Northern Ireland.

## **Margin**

The level of the margin was set at £10.49 million in the last price control. The Consumer Council support the Utility Regulator's view that this margin was set to include the extra working capital commitment required due to the change in payment timings as a result of the formation of SEM.

The Consumer Council welcomes the Utility Regulator's proposal for setting future margins as a percentage of actual turnover. This will avoid the risk of over or under estimating the level the margin should be set at, which may happen when using the forecast turnover. The Consumer Council approve that consideration should be given to this methodology when reviewing the enduring price control solution in April 2011.

I trust you find this useful. If you require any further information please do not hesitate to contact me.

Yours sincerely

Andrew Murray  
Senior Consumer Affairs Officer