



CMA decision on GD17 referral by Firmus Energy

February 2018

Our Ref: PD 2780 20010

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 has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.
- 1.3 The Consumer Council welcomes the opportunity to respond to the Regulator's second consultation on CMA decision on GD17 referral by Firmus Energy.

2 Ground 2A – Connection Target

- 2.1 The Consumer Council welcomes the revision of Ground 2A – The Connection Target, on the order of CMA. This particular ground of appeal was seemingly avoidable if the properties passed and connected data provided by Firmus Energy to the CMA was used within the original GD17 determination process.

3 Ground 2B – Non Additionality

3.1 The CMA was critical of the Regulator’s decision to set the non-additionality rate at 25% in its final determination, stating as follows:
“We note that the UR did not set out the evidence on which it based the 25% non-additionality rate in any of its published documents. In addition, we are unaware of any attempt by the UR to gather quantitative evidence of a type similar to that provided by FE (eg a survey) to support its assumption. In our view, the UR could and should have done more evidence-gathering or analysis of this nature in formulating the 25% non-additionality assumption”.

3.2 In response to the GD17 draft determination, The Consumer Council expressed its belief that the price control could provide benefits to consumers including:

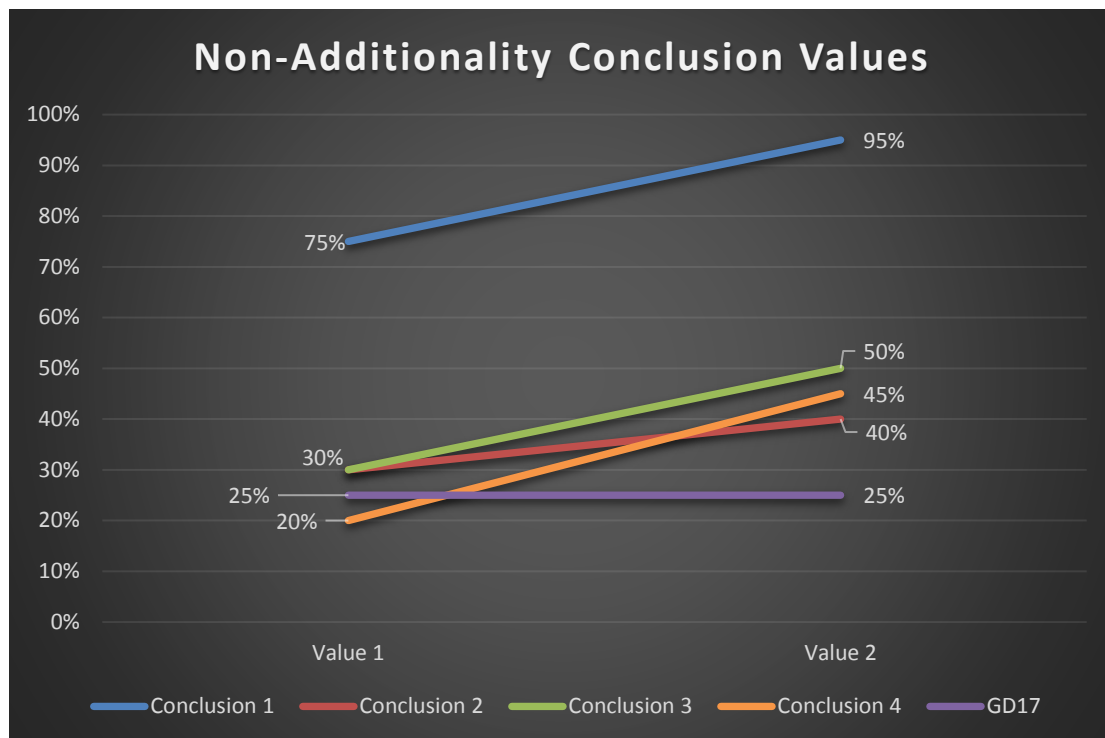
- Ensuring that the company delivers value for money; and
- Increasing the take up of gas.

The Consumer Council supports incentives that help to maximise the potential for connection to the network if they are necessary and effective.

3.3 The Regulator has undertaken four pieces of further analysis to calculate a revised non-additionality rate, deriving four alternative value ranges. Table 1 demonstrates how these range types compare to the 25% determined in GD17. Three range types have a lower end

that is higher than 25%, whilst one of the range types includes 25% (beginning at 20% rising up to 45%). Based on these range types the GD17 figure of 25% appears to be low.

Table 1



- 3.4 The Regulator states that its analysis “*provides strong support for a non additionality at 40%*” and that the 25% determined in GD17 is at the lower end of the range supported by the survey results. However the Regulator then outlines its view that an increase is not appropriate at this stage of the GD17 process and it is minded to remain at 25%.

- 3.5 The Consumer Council is unclear why the Regulator's minded position is that the non-additionality rate should remain at 25%, when its own evidence provides "strong support" for a rate of 40%. The Consumer Council requests a clear explanation from the Regulator as to why consumers in Northern Ireland are paying an additional £1.83m for non additionality when the Regulator's own evidence suggests *"Taking the various strands of analysis in the round, the survey data and RoI connection analysis provides strong support for non-additionality at 40%"*
- 3.6 Ultimately, the Regulator should in its determination ensure an optimum balance between value for consumer's money and maximising connections to the natural gas network.
- 3.7 If you would like further information or to discuss any issues in this paper, please contact Mark Crawford on 028 9025 1640 or mark.crawford@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

