

Response to:

**The Office for the Regulation of Electricity and Gas**

on

**The Proposed Acquisition of Premier Transmission Ltd facilitated by Team NI Ltd**

*by*

**The General Consumer Council for NI**

***November 2004***



## **Introduction**

The General Consumer Council for Northern Ireland welcomes the opportunity to comment on the Northern Ireland Authority for Energy Regulation's consultation document on the proposed acquisition of Premier Transmission Ltd facilitated by Team NI Ltd.

In principle, the General Consumer Council for Northern Ireland welcomes any arrangements that will ultimately provide consumers in Northern Ireland with a reduction on their energy bills. However there are a number of areas regarding corporate governance of the proposed CLG (Company Limited by Guarantee) in the consultation document which gives the Council cause for concern. The Council would propose meeting with the Authority to discuss the outstanding questions and obtain clarity on the issues before fully committing to this process. We would appreciate contact on receipt of this response to arrange a meeting at the earliest opportunity as the Council feels that it cannot support this acquisition process without satisfactory resolution of the outstanding issues.

## **Outstanding issues**

1. Has the Authority considered any other financial model for the SNIP? The Consumer Council would like to know why mutualisation is considered to be the best option for Northern Ireland consumers. Has the option of extending the capital recovery period with the current owners been explored?
2. What exactly is Team Northern Ireland's role in the facilitation process and at what point do they start to remove themselves from the acquisition process? Do they stay on in a consultancy role for a period of time?
3. Once the purchase has been completed who will own the SNIP and whose name will be on the licence? Who is the intermediate holding company and what information is available on its structure and membership?
4. On page three of the consultation document it states that the transaction is conditional on the Purchaser obtaining long-term funding on reasonable acceptable terms. The Council would like to know who decides if these terms are reasonably acceptable?
5. Who is on the Appointments Board responsible for appointing members? Can we be sure that this Appointments Board itself is representative?
6. Will members and board directors be selected to represent certain sectors or shall they be recruited solely as individuals based on their relevant experience?

7. The document states that the Members will have no financial interest in the CLG; however, if they are on the Board of Directors will they receive any remuneration? In addition to this, can their professional services be purchased by the CLG? If this is the case, will it be done via tendering procedures in order to be fully transparent and fair?
8. Regarding the Collection Agency Arrangement, the Council is uncomfortable with this process where electricity consumers will be responsible for financial deficiencies in the gas supply process. We believe that the scenarios for triggering the arrangement should be explicit from the outset. We would propose that there is a limit on how much can be collected and that the Authority should have final say on triggering these collections, irrespective of the scenario. The Council believes that if the Authority does not have veto on these collection arrangements the process would be unacceptable for consumers.
9. Given the lack of information and transparency available on Moyle, the Council would like to be assured that this situation will not be replicated with the SNIP CLG. The Council, as the organisation charged with protecting consumer interest, would like to know how the Authority is going to ensure that we shall be able to elicit relevant information from the CLG and be consulted on issues that are relevant to Northern Ireland consumers.

## **Comments**

1. The Council would recommend a public recruitment process for members, which would be transparent and allow for diversity of membership. This would ensure that the CLG is not solely representative of any one community in Northern Ireland but has adequate membership to represent the Northern Ireland consumer interest and not solely the business community.
2. The Council would propose that NIAER should chair the Appointments Board in order to ensure that the process is fair and transparent and to allow the Authority to have final veto over any appointments.
3. Terms of reference regarding roles for both members and directors should be drawn up in consultation with the Authority. Given that Members can also be directors of the CLG there is concern that there may be a conflict of interest, not only in the premise that the board will consist of a self-perpetuating membership but also, if they are composed of the same individuals, how neutral can the Members be when appraising the board's performance?

4. The Council would recommend that directorships have a finite lifespan, which will last a certain term, to ensure that the composition of the Board of Directors is always representative and acting in the best interests of the consumer. In addition, the Authority should have a role in the process for removing poorly performing members or directors and these mechanisms must be explicit.
5. The Council supports the licence conditions set out by the Authority, however, we would be keen to know how the members and directors would be held accountable in practice and what structure would be put in place to allow the Authority to monitor these conditions.
6. The possibility of using any profit generated to invest in more projects aimed at reducing energy costs in Northern Ireland needs to be monitored closely if it includes investing in companies engaged in profit-making activities to ensure there is no conflict of interests with either directors or members. It also raises the issue of who has the final decision on where profits are spent. It is because of this the Council recommends that clear lines of accountability and decision-making are in place from an early stage.
7. The Council is not supportive of the formation of a single energy holding company, as we have concerns about conflicts of interest regarding competition in the longer term. It is also a concern that all the Northern Ireland imported energy resources would be under the ownership of one company.
8. The Council would recommend that once the appropriate governance has been agreed for the SNIP CLG that it is applied to Moyle to ensure the same transparency in its dealings.