



**Notice given pursuant to Article 54 of the Energy (Northern Ireland) Order  
2003 of intention to impose a financial penalty on Gas Networks Ireland  
(UK) Limited**

## **1. Introduction**

1.1. The General Consumer Council for Northern Ireland (the Consumer Council) is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to ‘make the consumer voice heard and make it count’.

1.2. The Consumer Council welcomes the opportunity to respond to this consultation.

1.3. The Consumer Council has a statutory role to safeguard the interests of NI consumers and as such, we commend the Utility Regulator (UR) for acting promptly and diligently once the “whistleblowing” allegation against Gas Networks Ireland UK Limited (GNIUK) came to light.

1.4. In our view it is unacceptable that NI gas customers have paid higher gas bills as a consequence of the improper allocation of costs by GNIUK. NI consumers need to have confidence in the natural gas industry. This is particularly important if the NI Government and natural gas industry seek to extend the network and connect as many households as possible.

1.5. The overstated regulatory asset base (RAB) of £200k in respect of the North West Pipeline Spurs Project (NWPSP) as at October 2015 had over-recovered by an estimated £160k. The Consumer Council would fully expect the implementation of measures to ensure that the overstating of the RAB is adjusted accordingly and that any financial

detriment to consumers is returned. The Consumer Council would welcome clarity from the UR on the remedial action proposed.

1.6. UR has confirmed that the broad banding of the financial penalty is £0.4m - £1m as per its “Statement of Policy with respect to Financial Penalties”. Having referenced this policy, we are unclear how the assessment of aggravating and mitigating factors has resulted in the proposed financial penalty figure of £0.5k. We would welcome any further information that UR can provide regarding the weighting of aggravating and mitigating factors.

1.7. The Consumer Council recognises UR’s consideration of the seriousness of the breach by GNIUK and the circumstances in which it arose in deciding to impose a financial penalty. We are in agreement that a financial deterrent is appropriate.

1.8. It is our understanding that the proceeds of a financial penalty will be returned to HMS Treasury. Can UR please clarify this? The Consumer Council’s position is that any financial penalty imposed should be returned to consumers.

1.9. Paragraph 5.18 details the possible exception in lieu of a financial penalty that could be applied exclusively and verifiably to the benefit of customers. In 2015 Ofgem imposed a financial penalty of £5m on the power company Drax<sup>1</sup>. They also ordered Drax to pay £20m in consumer redress to National Energy Action, ensuring consumers benefitted.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/notice-decision-impose-financial-penalty-following-investigation-compliance-drax-article-141-electricity-and-gas-community-energy-saving-programme-order-2009>

Similarly the Consumer Council would like financial proceeds to benefit NI consumers. This could for example, be a charitable donation equal to the value of any proposed financial penalty, enabling the proceeds to benefit NI consumers. This option would still incentivise future compliance and contribute towards building consumer trust and confidence in the natural gas industry.

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](mailto:mark.crawford@consumercouncil.org.uk).



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