



MNI response to consultation on the overall approach to NIE Price Control (RP6)

We represent some 550 manufacturing businesses across every constituency represented in the NI Assembly. Manufacturing represents around 12.5% of local GDP and approximately 10% of total employment. With around 70% of manufacturing taking place outside of Belfast, it's impact on local economies is more pronounced with, for instance, more than 1 in 4 jobs in the new Mid-Ulster and more than 1 in 5 jobs in the new Mid and East Antrim Council areas being a manufacturing job.

Electricity usually represents the 3rd largest input cost for manufacturers. Our members and others endure the 2nd or 3rd most expensive electricity in Europe. This impacts greatly upon their ability to compete, particularly in export markets. Additionally, they are at a cost disadvantage to the Republic of Ireland.

Competitive electricity prices = jobs. With competitive electricity, we open up the chance of attracting investment in our manufacturing base and new large energy users (both manufacturing and data centres). This increases the likelihood of rebuilding a balanced economy through reindustrialisation to meet the EU's 20% of GDP target; improve export, trade and employment; and strengthens the energy market itself with lower prices for smaller consumers.

Events of this week, with the loss of 860 full time, well paid jobs in Michelin (Broughshane) as a direct result of the price of electricity should be a start warning to the Regulator that their work in Price Controls and market design has a huge impact on families and firms in our economy.

The fundamental policy problem is the absence of a target on achieving electricity prices competitive within the EU. This is overdue.

This can be achieved by:

Reducing	Generation, grid and market operator costs (includes demand side peaks through appropriate price and response mechanisms which business could respond to, thus reducing overall costs)
Avoiding	Unnecessary policy and incentive costs
Allocating	Cost equitably between customers
Supporting	Demand reductions for large customers

NIE have a critical role in ensuring supply reaches customers on an economically efficient system for customers. Their cost and performance are critical elements to ensure that we have electricity prices which can enable the NI economy to grow.

General points

- The Northern Ireland Executive's Strategic Energy Framework (SEF) is currently under mid-term review. There is a recognition that cost will have a more valued position in the energy trilemma and this will likely be reflected in the final outcome. The Regulator must use its regulatory powers to not

only protect consumers but rebalance problems caused by a lack of target on the cost of energy in the SEF as currently constructed.

- We understand that there has had formal interaction with NIE networks in the early stages of this price control in the hope to reduce the chance of delays in finalising RP6. However, we do not believe there has been equal engagement with consumers or customer representatives. We strongly believe the role is to regulate and not simply build relationships. We are concerned that lines may be blurred and would insist that consumer voices are heard, understood and given more prominence.
- We do not oppose the prospect of a longer price control period.
- We have not been involved indeed at this point understand the outcomes of the Consumer Engagement Advisory Panel process – this information should be shared in order to get a stronger sense of direction.
- We have participated in a single, wholly unsatisfactory workshop with NIE Networks on RP6 some months ago. We do not consider this as meaningful engagement with consumer groups and would ask that any recommendations from NIE Networks emanating from this workshop be viewed this is regard.
- Given our unenviable position within Europe on price, it is absolutely appropriate that the UR establishes a clear cost approach to this price control so we agree that the following objective is included:

“ensuring that costs are minimised for customers is therefore one of the main aims of a price control”.

Indeed we would go further and insist that costs are not only minimised but reduced. The basic starting point should be to see savings from the RP5 Price Control. The final sums in RP5 should be the ceiling.

- We are deeply concerned about the depth and speed of reporting from NIE. This work is critical to determining performance from NIE and whether consumers are getting value for money. We understand that NIE may be as much as £40m behind in spend in RP5 already running the risk of the network not receiving the investment which has already been paid for by customers; NIE potentially holding on to 50% of this; and, no prospect of these projects (paid for, but not delivered) being included in the RP6 Price Control. It is critical that a deep, transparent and very regular audit of NIE delivery is developed and made available.
- NIE’s performance on connections has been very poor. Limited engagement, delay and excessive costs are frustrating the development of the economy. NIE’s performance and pricing should be addressed in RP6.
- Incentives should only be made available where there is identifiable consumer benefit – results driven. This should be focussed on reducing costs for consumers in the short, medium and long-term.

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