



RESPONSE TO THE CONSULTATION ON THE FORWARD WORK PROGRAMME FOR 2015-16

Thank you for the opportunity to respond to your consultation on your Forward Work Programme for 2015.

Whilst we recognise there are a number of projects which will be beneficial to customer, including our members, we are disappointed that the general thrust of the plan tends to concentrate on further study, review or information gathering rather than decisive action to address the single most important area for customers – price.

In Objective 1, you document clearly signals that “Addressing the impact of higher energy prices” on customers is a key challenge. We agree (on electricity) and have consistently articulated this. Price is undermining NI’s competitiveness and the NI Executives priority to rebuild the economy. This being the case, we are frustrated that there appears to be little action to make an impact in this area in 2015. Building on your publication of price comparisons, the Utility Regulator should now conduct analysis to quantify the reasons for higher wholesale costs in NI compared to GB, followed by actions to address the differential.

It’s our belief that the FWP contains too many projects which spreads the resources of the office too thinly resulting in little impact and delay in getting to the substantive interventions which will be positive for customers.

We strongly object to the proposal to increase the budget of the Regulator in 2015 (or indeed through 2017-18 as suggested) to £8m pa. There is huge constraint on public spending which reflects the incredibly difficult decisions which families and businesses have had to, and continue to make, over the last 7 years. It is our view that the Regulators office is already more than sufficiently financially resourced and instead of seeking more funding (which is ultimately passed on to customers in their bills), there should be a prioritising of actions which have an impact for customers. The Utility Regulator should also consider what can be done to make more effective and efficient use of internal resources and to reduce the need for consultants. In our view, a number of projects are ‘nice to have’ rather than making a real difference to customers. These should be shelved and the resource re-deployed to deal with areas which have impact – within existing budgets.

Specifically, looking at your plan, we would have following comments:

Gas

We are generally content with the progress on both seeing Gas to the West proceed and the approach on GD17 and the initial intentions as highlighted in recent stakeholder events.

Water

The work on NI Water's Price Control is now complete. Our only concern is the request by the DRD Minister for the UR to review NIW's handling of recent failures to supply customers due to industrial action or management mishandling. It's our view that the Department should be paying for this work as it is their request and they provide no funding to the UR.

Electricity

This causes us most concern as whilst there are lots of proposed projects, few of these deal with the fundamental problem of price. For us, the priorities should be:

1. Advise on setting a NI Executive policy target on competitive price for all consumers, not just sustainable and secure supply.
2. A repair of the SEM (now!) to deal with the problems of market power and liquidity now (and not waiting for the ISEM or another project to complete).
3. A review of the causes of higher prices in SEM compared to BETTA and actions to address this differential. This should include capacity payments, uplift and constraint (or imperfection) costs. The Utility Regulator, with the SEM Committee, should consider why constraint costs are allocated 100% to customers in NI, whilst only 50% are allocated in GB.
4. Confidence regained in the ISEM project by a third party review which must include the anticipated likely benefit on the price issue.
5. Clear blockages which are restricting customers from being active in the market via DSUs and AGUs. It is not enough to just complete the long awaited licensing regime for DSUs/AGUs – actions are also required to ensure that NIE and SONI are efficiently facilitating demand side participation. We note that NIE has a licence obligation to consider demand side participation as an alternative to network investment.
6. Prioritise the development on on-site generation at locations which need the power in the first instance including looking at incentives around renewable heat.
7. Seek further transparency, a deeper understanding and early engagement on network investment costs to ensure that these are necessary and unavoidable. The Utility Regulator must also ensure that network costs are allocated across different consumer groups in a cost-reflective basis. For 2014-15, NIE significantly changed its cost allocation across its different tariffs without explanation. The Utility Regulator needs to scrutinise the proposed tariffs for 2015-16 to make sure they are cost-reflective.
8. Break NIE's monopoly on connections to drive down the cost of connections. The Utility Regulator must also address NIE's poor performance in this area, given the number of disputes that have arisen and the high level of dissatisfaction. The Utility Regulator must ensure that NIE provides much greater transparency in its connection offers. This should include a technical report to the applicant, detailing how the Least Cost Technically Acceptable principle was applied, together with details of any network modelling which formed part of the assessment. The report should also clearly identify how the cost items relate to NIE's published Statement of Charges. The Utility Regulator must also review if NIE's network planning and security standard is best practice. We understand that a different standard is applied in other European regions.

In addition, the Regulator has a responsibility to justify the decision to award an additional generating contract to AES which is resulting in adding at least £9m to bills from 1 January 2016. We have written to you already about this and await a reply.

Energy and Regulation are complex areas and whilst we are better informed than most consumers and have our own resources to provide technical advice we still rely on the extensively resourced Regulators office to stand up for consumers and to step in and fix what is broken. This requires not only transparency but also confidence that customer priorities are being addressed by your work. Sadly, the overall thrust of this Forward Work Programme diminishes our confidence that the Regulator is actively pursuing a plan which deals with the area where customers are most at risk – electricity pricing.

With a budget in excess of £7m and ambitions to grow this to £8m, customers need a plan which delivers a significant return on investment in 2015 and beyond.

We would be happy to meet with you and your team to articulate these concerns and bring further clarity to the above priority actions.

27 January, 2015