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Dear Robert

Electricity customers with multiple premises in the non-domestic market. Consultation Paper

Power NI welcomes the opportunity to respond to the recent Utility Regulator (UR) consultation on the regulatory arrangements for non-domestic groups. We hope this consultation is the start of a process that will lead to the deregulation of the entire market.

At the outset it is important to clarify that while terms such as 'deregulated' or 'unregulated' are used when discussing threshold issues; the customers affected are still afforded the same legal and regulatory protection as all other customers. The issue is whether the customers in question should be afforded the opportunity to avail of bespoke tailored tariffs from Power NI or only offered the standard regulated tariff. The question of thresholds also has an impact on the scope of the Power NI price control.

Power NI has advocated a reduction in the scope of price regulation for a considerable time; including in response to price control proposals¹, the UR's Energy Competition Consultation² and Forward Work Programme responses.

Power NI believes that if a market is demonstrably competitive, the prolonged application of a price control will compromise the proper operation of that market and is counterproductive. For example, a regulated tariff that acts as a market reference price but is based on an unrepresentative set of cost drivers distorts the market and leads to poor customer outcomes.

Equally if the threshold for deregulating a market is set unnecessarily high, this inhibits competition. This restriction is illustrated by recent customer frustration regarding the lack of quotes available from suppliers as well as the lack of tailored products.

¹ In July 2011

² In September 2011

The removal of the retail price control for groups will allow consumers to engage with a greater number of suppliers who are able to tailor products, participate in the tendering process, provide quotations and compete for their business on a level playing field. This is a requirement which has been clearly communicated by consumer associations and customers alike as it provides increased 'real' competition whilst having the comfort of consumer protection through normal regulatory arrangements.

Power NI believes it incorrect to characterise the frustration felt by group customers as an "anomaly"; it is in fact a failure in the retail electricity regulatory framework and one that should be addressed without further delay.

The effect of the current arrangements has been to lock Power NI out of certain markets, restrict the choice available to consumers and limit competitive pressure on suppliers. This is a fundamental issue which goes right to the heart of the development of efficient competition, fails to protect consumers and therefore is contrary to UR statutory objectives.

In response to the direct questions posed –

- 1) Power NI considers there are no discernible differences, for the purposes of procuring a competitive electricity supply, between a customer with multiple premises and a customer with a single premise consuming above any threshold.
- 2) Groups should be allowed to choose between all suppliers. Power NI should not be excluded from consideration.
- 3) Prescriptive requirements and limitations which are not otherwise justified interfere with the efficient operation of the retail electricity market.
- 4) While we welcome this consultation, its scope is unnecessarily narrow. Consideration of groups should be a step along the road to full liberalisation of the non-domestic market.

In conclusion, Power NI supports the removal of the current restriction on groups as this will have a positive effect on the electricity market, is consistent with the UR's statutory objectives³, removes a real inhibition to competition and is consistent with GB and European policy decisions. Power NI would also welcome engagement with the UR on the wording of the required licence modification.

Power NI will revisit the deregulation of the market generally in more detail during the forthcoming price control discussions.

Yours sincerely



William Steele
Power NI

³ As reaffirmed by the National Audit Office, which states that "the processes used by Ofgem, Ofcom and Postcomm for removing retail price controls were consistent with their statutory duties of protecting consumer interests through the promotion of competition." and "The removal of price controls is an important step in the development of competition"