



**ESBIE RESPONSE TO THE PROPOSED NIE PPB  
PRICE CONTROL**

**28<sup>TH</sup> SEPTEMBER 2007**

## **Introduction**

ESBIE welcome the opportunity to comment on the NIE PPB Price Control Proposal in advance of the publication of the NIE Tariffs. This response comments on specific aspects of the consultation. The following issues are highlighted:

- It would be preferable to align the duration of the price control with that of the tariff year which runs from October to October.
- It is inappropriate to give incentives to NIE PPB unless a baseline is established, where it can be clearly shown that all operations are carried out in a prudent, non-discriminatory and auditable manner.
- It is proposed that NIAUR consult on a set of criteria for determining if information is commercially sensitive or not, since regulated businesses have strong incentives to overplay the commercial sensitivity of their cost base.
- It is appropriate to publish the Business Efficiency Questionnaire that was sent to NIE PPB as part of the process to develop the consultation proposal.

## **Duration**

NIAUR propose to allow the price control period to run until March 2009. While a duration of the 17-months may achieve NIAUR's objective of the adding certainty and information that a shorter period may not, ESBIE propose that the price control is aligned with the tariff calendar. The AIP decision paper AIP/SEM/07/93 recognised that the cost components of PSO would apply on the basis of the SEM year (Oct-Oct). It seems more practical to have a price-control duration that is consistent with the SEM timetable and the PSO timetable and for this reason ESBIE proposes that the current price control runs until October 2008.

## **Incentives**

ESBIE agree with both NIAUR and NIE PPB that there may be a case for providing an incentive mechanism. This should be carefully approached however so that it does not give PPB incentives which are inconsistent with the efficient operation of the SEM. The SEM presents such a significant change from the current environment that it may be difficult to provide a baseline for any incentive scheme. An incentive scheme which does not have a carefully chosen baseline presents a significant risk to both the consumer and the regulated business. ESBIE propose that no incentive scheme is considered unless a baseline is established and it is not clear how this can be done before there is some empirical data from the operation of the SEM.

## **Framework for determining commercially sensitive information**

The consultation paper refers to "...a great deal of information asymmetry between the Utility Regulator and PPB on such matters (details of PPB contract costs...)". It is the view of ESBIE that there should be no information asymmetry between NIAUR and NIE PPB

regarding the costs of PPB contracts. The basis of participant confidence in the price control review is that NIAUR can scrutinise all of the PPB's costs.

ESBIE propose that NIAUR consult upon and develop a clear framework with criteria for evaluating which information should remain confidential and which information should be published. A consultation on this specific issue would be consistent with the consultation on Tariff Transparency and Timeliness in November 2006. In this paper it was stated that NIAUR wished to ensure that "the tariff setting process has as much clarity as possible and that all market participants remain assured that approval of tariffs is made on a fair basis".

Finally, the consultation paper refers to a Business Efficiency Questionnaire which was sent to NIE PPB. As part of the process of engendering confidence in market participants it would be useful to see what criteria were used to examine NIE PPB's costs, albeit that NIAUR may choose to withhold some of the data submitted in response.