

Northern Ireland Water response to Consultation on “Charges to Suppliers for Use of the Electricity Transmission” February 2011

General Introduction

- 1 Northern Ireland Water (NIW) as the largest consumer of electricity in Northern Ireland, welcomes the opportunity to respond to the Consultation on “Charges to Suppliers for Use of the Electricity Transmission” February 2011.
- 2 This response has been set out as follows:
 - Comments on each of the proposals.
 - Some general comments on the document

NIW has not responded in detail to every proposal raised nor has it commented on some of the range of actions proposed as they currently have no direct relevance to NI Water. The reply is generic in its form and issues have been addressed as progression was made through the short consultation paper rather than addressing specific areas within the SONI papers however it is hoped the issues addressed will indirectly answer the questions

Comments on the Consultation Paper Proposals

- 3 Within the following paragraphs, NI Water has attempted to provide more detailed comments on what has been deemed to be the key proposals set out within the Consultation NIAUR cover document.

Proposal 1 – Tariff Bands

- Changes to TUoS charging periods as recommended within the document but at a rate as yet unknown may increase costs on sites currently connected at High Voltage. Any significant increase in cost at 01 October 2011 may be raised at future NIAUR and NI Water meetings. Initial workings on historical profiled data indicate an increase in cost as intimated within the consultation paper at HV sites.
- Whilst welcoming the fact that cost reflectiveness features within the paper it appears now that the changes proposed to TUoS for customers who take supply at HV will create a financial penalty to the benefit of customers connected at lower voltage. The key goal must be competitive prices for all users and penalties for point of connection should not be supplemented by larger power users. A rigorous focus on eliminating unfair cost is essential, be that in transmission (TUoS), distribution, generation, market charges or in other ancillary charges.
- There has been an increase in transparency in this area over the past few years however it appears this particular consultation is almost a fait accompli at this stage and

consultation will have no bearing on the actual regime approved to SONI by NIAUR and imposed on users.

- With the potential for water charges to be imposed on the domestic customer in the foreseeable future it should be noted that any impact on the cost of electricity through changes to TUoS rates may in some way be passed on to NIW's customer base via our own Price Cost review.

Proposal 2 – Time Bands

- 4 NI Water is unsure of the reason for the reduction of the current range of time bands as this will conflict with the range of existing tariff time periods and associated DUoS charges. It is assumed in the near future similar changes will be applied to DUoS rates and time bands for energy rates. Any changes however should not be an enabler to permit SONI to hide increases in TUoS costs within this Price Cost period. All increases real or otherwise should be robustly challenged before approval by the Regulator.

Proposal 3 – Cost Allocation Model

- 5 NI Water recommends that The Regulator robustly challenges the use of a new model to create costs associated with TUoS within the network to ensure consumers with High Voltage connections such as NI Water are not financially penalised by any changes requested by SONI in this price cost period

Proposal 4 – Transmission Rebates

- 6 NI Water is unsure of the impact of this proposal but the assumption is that as Suppliers currently purchase our self generated electricity based on a pre defined tariff removal of the rebate would have little of no financial impact on NI Water. If removal of this rebate were to reduce the amount NI Water is paid by suppliers thus reducing revenue generation then this would put added pressure on an already stretched budget.

Impact on Customers

- 7 It appears that the impacts these proposals will have on customers depends on the connection voltage and consumption profile of individual customers and in respect of NI Water this can be summarised as follows and the comments to follow are based on the SONI assessment for "typical" customers in an appendix to their paper.
 - "Customers connected at high voltage will probably see an increase in their tariffs as their cross-subsidy is removed". NI Water has around 30 sites connected at High Voltage with a load of circa 150 Gwh's and would appreciate the opportunity to discuss the financial implications of this in more detail. Initial analysis based on historical usage patterns indicates an increase in cost for TUoS at HV sites.
 - "Customers connected at medium voltage should be relatively neutral to the change in tariffs". NI Water has over 200 sites connected at Medium Voltage with a load of circa 100 Gwh's and would appreciate the opportunity to discuss the financial implications of this in more detail and to explore the outworking of the statement "relatively neutral". Initial analysis based on historical usage patterns indicates an increase in cost for TUoS at MV sites.

- Low voltage customers, which include domestic customers in fuel poverty, will face lower TUoS tariffs as they will no longer be cross-subsidising higher voltage customers. This is of no comfort to NI Water in an arena similar to SONI and others whereby budgets have been set and the outworking of this piece of work has the potential to increase costs against an already stretched and trimmed budget figure. Initial analysis based on historical usage patterns indicates an increase in cost for TUoS at LV sites.

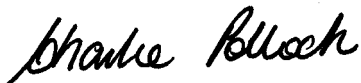
Utility Regulator Consultation

- 8 Indications are that this Utility Regulator consultation on SONI's proposed method for calculating the TUoS charges, which if approved will apply from 1 October 2011 could potentially increase the cost of electricity for NI Water as any changes to this Regulated cost would be a straight pass through from suppliers. At this stage it is difficult to accurately quantify the additional cost as the tariffs included within SONI's recommendation paper are indicative only and the precise values within the tariffs will be calculated in the summer, however on the back of analysis carried out on historical usage patterns it appears certain that it will increase costs in this area.

Conclusions

- 9 NI Water generally welcomes the simplification of the TUoS charges however as stated previously this should not be at any cost to the end user and further cognisance should be taken of the impact to large consumers where supplies are taken at High Voltage.
- 10 Data is available to NIAUR from NI Water if required to enable modelling of the estimated financial increase to the company.

Yours truly,



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