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Dear Jenny,

DRAFT CORPORATE STRATEGY 2014 – 19
DRAFT FORWARD WORK PROGRAMME 2014 - 15

Thank you for the opportunity to respond to the above document and for the invitation to attend the public briefing last week.

We fully understand the balances and tensions which the Regulator's office must hold between Producers, Suppliers, Network Operators and Customers not to mention the differing requirement of the various classes of customer groups within the consumer community. We therefore welcome the proposed Strategy Document and FWP as having something for everyone to get their teeth into, in the years ahead. The strategy and the work plan will create many challenges for all stakeholders as we move forward together.

General Strategic Context

All stakeholder will have their own particular areas of interest and the comments expressed here reflect those of the Industrial and Commercial sector who are the only stakeholder group operating in a competitive international arena. It is to this group of consumers that the UK and NI governments must look in order to achieve the strategic objectives of growth. This objective is well defined in the Strategic Context and Government Programme section of your document where "growing the economy is the most important priority for government"

At the present time it is very difficult to see how this is to be accomplished when Northern Ireland has some of the highest electricity prices anywhere in Western Europe especially



for the larger consumer. Therefore in strategic terms competitive prices need to be addressed quickly in order to keep existing NI businesses effective, profitable and at the same time attractive to new investment.

In our view, competitive as opposed to affordable, energy prices must be the major priority for your forward work plan. Competitive energy prices will provide business confidence, improve employment opportunities which at the same time reduce the number of vulnerable customers on the network. This needs to happen in the short term otherwise the situation in the longer term could be business uncertainty and a reversal of the consequences mentioned above.

This will not be an easy task as prices throughout Europe are already under price reduction pressures while in the UK and NI the opposite pressure is the case. To this extent we take some encouraged by your statement that you will “firstly, continue to put consumers at the heart of all we do”.

Promoting Effective and Efficient Monopolies (Objective 1)

This area of work and in particular the electricity price control RP5 has seen some successes in 2013-14 as we await the final determination of the Competitions Commission on NIE T&D costs going forward. We have fully supported this initiative in 2013 and are confident of continued improvements for all customer groups going forward.

The situation in gas under GD14 has been less successful and demonstrates the importance of effective consultation and stakeholder forums. Although GD14 places downward price pressure on gas transporters, the under-recovery algorithm has meant a huge increase in conveyance costs, particularly for large gas users commencing in January 2014. In our view, this was not adequately conveyed to consumers and must therefore register as a communications shortcoming on the part of the Regulator's office.

However, having said that, we are encouraged by the meetings we have had in your offices and are confident that the future will bring improvements in communication arrangements.

Promoting Competitive and Efficient Markets (Objective 2)

There is much in this Objective which deals with reviewing, monitoring, engaging and seeking evidence to inform policy decisions. We support this initiative and in an effort to make sure this includes the voice of the consumer we suggest the setting up of a formal Regulator/Customer forum which would meet quarterly to discuss issues of concern, pending consultations and feedback on market activities. Ofgem operate such an



arrangement in GB and hold meetings with a large users' group (LUG) and a small and medium users group (SMUG). Both forums are hugely successful and all parties benefit from the experience. MEUC in collaboration with other customer groups, would be pleased to assist in the setting up of NI Customer forums.

Continuing on this theme of stakeholder engagement we would encourage you to be more proactive with frank and honest "educational" discussion with Government Ministers on what can and cannot be achieved within their framework policies. At the interactive workshop stage of this strategy document a very strong point was made that this technical input on the achievability of Government policies was very much lacking. We look to the Regulator's office as the people best place to make these technical points to Ministers and we will be please to provide support where necessary.

We were greatly encouraged last year when your office reported on the comparative costs customers are experiencing throughout the European Union. It is vital that this piece of work be continued and kept up to date. Markets continue to develop and new supplies are being introduced which will influence the statistics for each country. In our view this is the most important key performance indicators as it will clearly show whether or not your Objectives are successful.

Protecting the Long Term Interests of Consumers (Objective 3)

For our members Security of Supply is the important issue in this Objective and we support all measures that will provide confidence in a guaranteed supply especially in the critical 2016-17 period. The North-South interconnector is vital to system security in NI as is the Moyle Interconnector and continued pressure must be applied in both these quarters to ensure prompt delivery of the infrastructure.

We would also like to see the introduction of Demand Side Measures (DSM) even if the market for such services is perceived as small. Every little helps in the contribution towards security of supply in NI. The Electricity Market Reforms (ERM) in GB, itemises DSM as one of the four cornerstones of the new market arrangements and we would not wish to see these under valued in NI networks. The GB experience suggests that if the costs are attractive, customers will shed load and take advantage of the opportunity and at the same time enhance system security.

We are supportive of the plans to extend the gas network to the west but are surprised that Shale Gas Investigations in Fermanagh is not included in your long term plans to protect the interest of customers. Perhaps this still remains a NI Government prerogative. In any case we would encourage you to argue for the inclusion of these activities as being an essential element for economic growth. In our view, both these activity will have lasting benefits for all customers, especially vulnerable customers and business users.



We fully accept that European gas prices may not equal the very low prices experienced in the United States but Shale will in our view, place downward pressure on NI gas prices and provide a diversity of supply which is currently missing. It will also provide the economic resurgence that Government policy holds as a priority.

Forward Work Plan

Your forward work plan reflects many of the issues which are of concern to our members and leaves the door open for much dialogue between us in the months ahead. As major energy users we would have preferred to see activity 20 take a higher role in your priorities than perhaps item 17. How we stand in relationship with our European competitors is vitally important to business operations. The effectiveness of the NI marketplace for our members is best achieved via competitive tendering of energy contracts and there is little doubt that shortcoming in this department will quickly be referred to your office.

The forward workplan appears quite exhaustive and we suspect will be complemented by many Consultation Documents. These documents can be quite lengthy, complex and technically challenging and we would suggest that pre- consultation forums might be a useful way to stimulate more widespread interest and response from stakeholders. You have held some of these in the past and they have been extremely informative. We would encourage you to have more of these especially on the more difficult workstreams.

We hope these comments are helpful as you finalise the strategy and thank you once again for the opportunity to comment. We are happy for these comments to go on the public record.

Yours sincerely

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