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Dear Elena,

INFORMATION PAPER ON NI ELECTRICITY PRICES

DATA and COMPARISONS

Thank you for the opportunity to respond to the above document which we welcome as a significant contribution in summarising the electricity costs across Europe and specifically where Northern Ireland prices sit in the overall process. We comment below on some of the issues which immediately spring from the report which relate to the medium and large customer groups. We will not be addressing issues concerning SME and domestic customers as we have no responsibility in this area. Others respondents will be better placed to comment on these customer groups.

The document acknowledges that this is only the start of the debate and full stakeholder interactions are necessary to add to what has been initiated. We fully support this process and will be pleased to play an active part going forward.

Price Transparency

We agree that price transparency through all the component parts of electricity delivery seems the next essential step. It will clearly demonstrate the area of highest cost contribution and what action if any can be taken to place downward pressure. Full transparency of component costs is already available in GB markets and not surprisingly generation costs and government taxation are by far the highest elements. We could probably provide some current breakdown of costs to assist in this investigation.

We would recommend that this exercise as well as being historic also looks to the future. Industrial customers are more interested in where costs are going than where they have been. With several large NI customers already indexed to NBP gas prices and possible SEM prices, the main cost elements will be known up to 2020. It should be a relatively easy exercise to establish a cost component build up for the next five years.



It would also be useful if different customer load shapes could be taken into account for single shift, double shift and 24/7 businesses although this could be a secondary activity once the parameters have been agreed for the average case.

The inclusion from DETI on energy taxation costs and from the transmission and distribution operators could build to a useful forward price projection when the current Competition Commission referral has been concluded.

Competition

We believe a fundamental review of Supply Competition particularly at the larger end of the market, to be unnecessary. The supply margin is likely to be a small proportion of the overall cost and will make little difference to the end costs. It would in our view be more meaningful for a full investigation into generation costs and how these relate to similar costs throughout Europe. This is the area where the largest portion of costs lies. The individual component price investigation should highlight this concern.

Energy Taxation & Low Carbon Support

Clause 6.3.3 (ii) taxes for Renewables is not a part of the process but it is regarded by many as the highest rising cost component in the UK energy price build up and a feature which could have significant knock on costs to NI consumers. CfD for new nuclear, FIT, RO, Carbon Floor etc. We have written separately to DETI suggestion that a review of the SEF be held sooner rather than later. We have also opened discussions with DECC on the elements which will apply to NI and our initial finds do not look favourable for NI industrial customers.

The three reporting categories detailed in the report (1) excluding all taxes, (2) before VAT and (3) including all taxes need to be clearly defined across Europe. What constitutes a tax? E.g. FIT, RO, CRC, CCL may be different across EU countries. In GB for example some taxes e.g. carbon floor price, is already built into the generation cost and is therefore hidden.

Interestingly long term NBP gas prices up to 2020 are currently in backwardisation and could exert downward pressure in electricity costs if gas is adopted as a long term continuity strategy.

Stakeholder's Meeting

We would advocate a joint stakeholder's forum to be set up as a matter of priority and to be scheduled several times per year. Such a forum should involve customers and their representatives, suppliers, transporters, the Regulator and DETI personnel. We should be happy to be involved in such a forum.



Industrial/Domestic Relationship

In Figure 7 of the report, NI industrial prices for Med, Large and Very Large have the highest percentage ratio of many other EU countries. One might conclude that I&C customers are cross subsidising the domestic sector. We would suggest that perhaps this is an issue which requires further attention.

Fuel Mix

We would agree with the comments of fuel mix but would add that coal and nuclear are not always the dominate fuels suppressing prices. Gas has in the past been the cheapest fuel and could well be a cheap source of generation fuel in the future depending on how global shale gas exploration progresses.

Interconnections to GB and ROI are certainly an issue and will allow access to cheaper generation sources. It does not help the NI security of supply case that the Moyle Interconnector is running at half capacity and an apparent lack of commitment on behalf of the owners to put it right.

Other Issues

The efficiency of use of our conventional gas fired power generation is an issue for many especially when faced with a significant rise in intermittent generation, e.g. Wind.

We would not have thought that the rural spread of population is a major factor in NI price differentials. Other rural parts of the UK enjoy lower electricity prices than the province.

We hope that we have addressed the portions of your report which affect I&C consumers and are happy to discuss these in an open forum. Perhaps the first stakeholders meeting might be an opportunity for the various diverse stakeholders to expand on their submission to this report.

Thank you again for the opportunity to submit comments on this report.

Yours sincerely

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MEUC NI Manager