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Elena Ardines  
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Dear Elena,

**Re: NI Electricity Prices: Data and Comparisons, Information Paper**

Power NI welcomes the opportunity to comment on the above paper published by the Utility Regulator (UR). Publication of information is an important step towards increased transparency and understanding electricity pricing. Power NI welcomes the UR attempting to begin this process and hopes that increased information will assist in clearly identifying the electricity price drivers for stakeholders. Power NI notes that the data relates to 2011 and therefore is significantly dated and would encourage the timely publication of future information.

While the UR has indicated that this is an initial high level information paper it is disappointing that the price comparisons are presented without detailed supporting analysis. The paper fails to adequately explain or describe wholesale or network charges. These charge components are the fundamental drivers of end tariffs.

Through the regulatory processes of approving network charges, approving components of wholesale charges and the embedded Market Monitoring Unit within the UR's office; the UR should be in a position to fully articulate the drivers for these elements. Issues such as the reliability of the Moyle Interconnector, delays in north/south interconnection, unavailability of certain peak plant and network reinforcement requirements are all within the UR's purview and their impact on prices should have been explained in detail even in an introductory paper.

Additional factors such as taxation, levies, supplier obligations and EU Directive implementation are also set at a governmental or regulatory level and again should have been described and quantified. Power NI would welcome a more thorough analysis in subsequent publications as many of these factors could be influenced by government or regulatory policy.

In addition to the areas covered in the information paper and the suggested enhancements above; Power NI would welcome an economic assessment, by the UR, of the general diseconomies of scale faced by Northern Ireland and the impacts of wholesale world fuel prices.

It is widely accepted that the Northern Ireland market is small and dependent upon imported fossil fuels for electricity generation. As an economic regulator the UR is well placed to critically assess the impact of market size and most importantly the correlation between world fuel prices and electricity prices. Northern Ireland is import dependent and on the periphery of Europe, therefore a locational premium is applied to cover transportation costs and unavoidable losses. An estimated quantification of such a premium would provide an important underlying context for the electricity price discussion.

Indeed, it is Power NI's assessment that in today's market that overall the average price per unit sold in NI is on a par with RoI, and higher than GB, possibly by c.8 to10%. The lower prices in GB are likely to be a direct function of lower transportation and scale economies. The alignment of NI and RoI prices overall should not be a surprise given the fact that generation input prices should reflect the Single Electricity Market outputs. However, the significant differentials seen between the NI and RoI large energy user prices are a direct reflection of the very different allocation of network charges.

In the Next Steps section of the Information Paper the UR states an intention to review the effectiveness of competition in the I&C market, scrutinise price control proposals and efficiently integrate the wholesale market into Europe.

The integration of the wholesale market or the implementation of the European Target Model is scheduled to take place in 2016. Power NI would encourage the UR to robustly challenge the cost benefits case for any proposals put forward by the project team. The financial burden of implementation and compliance with the target model will ultimately be borne by consumers and therefore the UR must be satisfied that the benefits will be realised and avoid a gold plated implementation.

Effectively scrutinising the price control submissions of network businesses should be a core regulatory activity. Timely and balanced determinations will ensure a smooth investment cycle by efficient organisations. In the context of information provision however the UR should look to provide greater transparency of the effects on end user tariffs and how costs are split between industrial, commercial and domestic customers.

The effectiveness of competition can be determined by references to a number of factors. The UR implication is that regulation has maintained domestic prices at a level closer to the European average than seen by those in the I&C sector. The UR should be mindful of the effects of regulatory decisions in relation to network charges and levies etc in influencing this outcome. Retail regulation does not determine the allocation of wholesale charges, network charges or levies. To adequately scrutinise I&C end user tariffs a thorough assessment of all cost elements must be completed before any conclusions are reached.

Yours sincerely



William Steele  
Power NI