



The Consumer Council

Elizabeth House
116 Hollywood Road
Belfast
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Roisin McLaughlin
Gas Transmission
Utility Regulator
Queens House
14 Queen Street
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BT1 6ER

28 February 2013

Dear Roisin

Re: Implementing the European Gas Regulation (EC) 715/2009 in Northern Ireland

The Consumer Council welcomes the opportunity to respond to this consultation.

The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to make the consumer voice heard and make it count.

We have a statutory remit to *promote and safeguard the interests of* consumers in NI and we have specific functions in relation to energy, water, transport and food (the Consumer Council and the Food Standards Agency (FSA) have a memorandum of understanding and the Council's strategic

focus on food is primarily in relation to food prices and customer experience). These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.

The Consumer Council is also a designated body for the purposes of supercomplaints, which means that we can refer any consumer affairs goods and services issue to the Office of Fair Trading, where we feel that the market may be harming consumers' best interests.

In taking forward our broad statutory remit we are informed by and representative of consumers in NI. We work to bring about change to benefit consumers by making their voice heard and making it count. To represent consumers in the best way we can, we listen to them and produce robust evidence to put their priorities at the heart of all we do.

The Consumer Council (CCNI) recognises the need to introduce changes to the gas regulatory framework in order to ensure compliance with EC Regulation 715/2009. We acknowledge also the difficulties encountered in implementing the CAG project, which resulted in a missed compliance deadline in October 2012. In this context we welcome the Utility Regulator's (UR) plans to build on the CAG work to develop what UR describes as "common arrangements for gas in NI". Our comments on each section of UR's consultation paper follow.

Building on CAG - moving to single system operation in NI

CCNI recognises the potential benefits to consumers that could result from the introduction of a Single System Operation (SSO) in Northern Ireland. Based on the information provided by UR these would be mainly:

- Reduced operational costs resulting from the administrative, IT, management and operational efficiencies that would be achieved; and

- Increased competition that could result from a less fragmented, more transparent and customer friendly transmission system.

We are satisfied with the level of detail UR has provided about the benefits of the SSO, for example the summary of PTL IT savings included in Table 1 of the paper, as well as the fact that these have been covered in detail in the CAG consultations. However, the consultation paper does not quantify the potential costs required to implement the SSO other than a reference to the fact that “a new entity would be expensive” to set up for a single SSO.

Presumably costs would be incurred also to set up a CJV to cover expenditure for legal fees or creating a control room. While we appreciate that the benefits of the SSO, financial and otherwise outweigh any short term costs incurred, we would welcome more clarity in this area, particularly in relation to any plans to pass them on to consumers. We would like to remind UR that all efforts must be made to drive down prices for consumers. They should not be any worse off as a result of the introduction of a SSO.

Overview of Single System Operation in CAG

CCNI recognises that an assessment of the most favoured options for a SSO was already undertaken as part of the CAG. In this context we would agree that the single TSO option and the Contractual Join Venture are the preferred options for Northern Ireland.

CCNI is of the view that the criteria applied that UR has applied is fair and reflective of the main benefits it should deliver. However, there are two elements that UR maynot have considered:

1. Estimated time required to develop and implement each option. CCNI believes that UR should consider this factor, particularly in relation to potential non compliance with Gas Regulation 715/2009. For example, UR states that creating a single TSO entails far reaching licence

changes. Based on previous experience with projects that required considerable licence changes such as IME3, this may result in a long implementation process.

2. Future integration with ongoing CAG work. The chosen SSO option should be compatible with the model adopted as part of the CAG to ensure it is future proofed. This analysis could be included under the categories “Cost Effective” and “Consistent with EU Legislation and the Single EU Market”.

CCNI notes also that there is no reference in the consultation paper to any impact or benefits from the point of view of security of supply and investment opportunities in relation to gas storage. These were considered as part of the CAG project but do not appear to have been considered here.

CCNI is of the opinion that both a CJV and Single TSO options will deliver benefits for consumers, although these are difficult to quantify. Based on the evidence and information provided in the consultation paper the Single TSO seems to be the best long term option in terms of efficiency, governance and cost effectiveness. However, there are question marks in terms of the initial investment required and the time required to develop and implement the new entity and the necessary changes to the regulatory framework. Based on the information UR has provided CCNI is not in a position at the time of writing to make an informed decision. However, we would welcome the opportunity to discuss this aspect of the consultation in more detail during UR’s review.

Gas Regulation compliance: proposed scope of work

CCNI acknowledges UR’s proposed scope of work, in particular the plans to tie the process with the development of the EU network codes. We welcome the opportunity to discuss the development of the codes with UR at any stage in the future.

If you wish to discuss the attached in more detail, please do not hesitate to contact me by e-mail at mcree@consumercouncil.org.uk or by phone on 028 9067 2488.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Cree'.

Marian Cree
Head of Energy Policy