

Inquiry Manager
NIE price determination
Road
Competition Commission
4HZ
Victoria House
Southampton Row
LONDON
WC1B 4AD

Michelin Tyre plc
190 Raceview

Ballymena BT42

N. Ireland
30/05/13

Re. Northern Ireland Electricity Limited Price determination

Dear Mr Jackson

We wish to give our input to the above review.

“As a Large Energy User (LEU) in Northern Ireland, we know that we already pay the second highest electricity unit cost in the whole of Europe⁽¹⁾. In fact, as a plant, we pay the second highest electricity charges in the Michelin Group. This immediately puts us at a clear disadvantage when competing against our sister plants for investment, and indeed makes operating in NI very challenging from a cost perspective.

In 2012, the transmission and distribution Use of System charges (TUOS & DUOS) amounted to 8% of our final electricity cost. It is our understanding, from Shane Lynch of the UR, that NIE have requested an increase over the period 2013 – 2017 of 46% in these charges. If this increase were to be allowed, it has the potential to increase our annual bill by around [€]. This is more than [€] extra over the course of the 5-year review period. This is an unacceptably large increase at any time, but particularly when we are struggling with rising operating costs and increasing competition from other Michelin plants with much lower energy costs.

We would question whether NIE has sufficiently taken into account the reduced demand for electricity in NI in recent years (down 4% from 2008) when calculating their asset replacement requirements (Capex). With lower demand, asset wear-out rates will be less than they would otherwise have been. Are NIE taking this into account in their calculations? If not, this part of their pricing needs to be re-examined and reduced. There has been little or no transparency or accountability for large customers of this aspect of their operation.

We are urging the NI devolved administration to reinstate the down-graded Moyle interconnector with Scotland as quickly as possible, but we assert, for the purposes of this price review, that the costs for this should not be passed on disproportionately to the LEU's (versus domestic customers). Similarly, the NI administration should proceed, along with the government of the Republic of Ireland, with the construction of the second North-South interconnector as quickly as possible, but again the cost of this must not be borne unfairly by the LEU's via their TUOS and DUOS charges.”