

**Competition Commission: Northern Ireland
Electricity Limited Price Determination**



Campaigning for Warm Homes

NEA NI Response

May 2013

National Energy Action Northern Ireland (NEA NI) welcomes the opportunity to make a submission to you on the Northern Ireland Authority for Utility Regulations (NIAUR) referral on the disputed price determination with Northern Ireland Electricity Limited.

NEA is the fuel poverty charity whose work covers England, Wales and Northern Ireland.

Between 2001 and 2004, considerable progress was made in reducing fuel poverty in Northern Ireland (from 27% of households to 23%) but by 2006 the rate of fuel poverty had increased to 34%, largely as a result of very significant increases in the price of fuel.

The most recent House Condition Survey 2011, states that some 42% of households in Northern Ireland are now in fuel poverty.¹ As this figure suggests fuel poverty is a very serious problem, with a size and scale that is unique to Northern Ireland due mainly to the fact that almost 70% of households are reliant on home heating oil and have significantly lower levels of income. Poverty is also set to increase due to a combination of global pressures and government policies which will put upward additional upward pressure on household bills.

Fuel poverty is the number one issue affecting the Northern Ireland householder and it is also killing almost 500 older people in Northern Ireland every year. The effects of fuel poverty on health are profound and yet we know the solutions.

¹ Northern Ireland House Condition Survey 2011

With our reliance on oil, fuel poor and low income households tend to use electric for heat as the cost of filling or part filling an oil tank is prohibitive and with electricity there is a pay as you go option not available to those reliant on oil.

Domestic competition in the electricity market is a relatively recent phenomenon in Northern Ireland with three entrants competing. The incumbent namely Power NI still retains almost 80% of the domestic market and announced a 17.8% increase in electricity set to hit households from 01 July 2013. The other entrants will no doubt follow to what extent is still to be announced.

The situation for the Northern Ireland householder is extremely worrying and any additions to customer bills must be monitored and scrutinised to ensure that we do not pay a penny more than is required.

It is to this end that we have engaged in this process and attempted to understand the key issues which seem to have caused such as diverse set of figures to arise in this dispute.

We welcome strong regulation and in fact wish to be assured that the Regulator is fulfilling his primary role in protecting the interest of consumers and therefore welcome the Competition Commission's intervention to clarify the respective positions.

This price control makes up a significant proportion of the customer bill (20%) and therefore the issues to be addressed now by the Competition Commission will impact on us all for the next 4 years.

We do not accept that customers should pay twice for operational expenditure which was re-categorised as capital expenditure during RP4 which is consistent with the principle of 'no double counting' principle.

We also believe that the intervention to allow £66.7 million is generous and again will cause additional upward pressure on bills.

We agree with the principle of a Reporter or 'Honest Broker' who is independent from the NIAUR and energy companies. We believe that this may help to overcome some of the issues which may have led to the dispute in question. It is imperative that the recording and reporting of information is clear and transparent to enable the regulation process to be effective.

In the absence of competition, regulation is crucial to ensure markets are working as they should. We therefore need to be assured that the Regulator has all the necessary tools and powers to ensure that the customer gets a fair deal.

We hope that these comments are useful in your overall determination.