

Mr Kenny Dane  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED

15<sup>th</sup> November 2012

Dear Mr Dane

**Re: Consultation on Treatment of Gas Transportation Capacity Costs (SEM-12-089)**

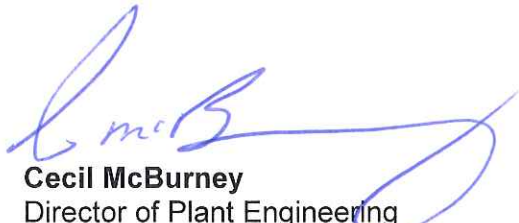
Bombardier Aerospace, Belfast is the largest manufacturing employer in Northern Ireland, with 5,000 employees and an extensive local supply base. The company consumes a significant quantity of electricity on an annual basis at a considerable cost to the business. We would ask the regulator to consider the following points in relation to the recently published consultation in respect of the Treatment of Gas Transportation Capacity Costs (SEM-12-089) and, in particular, the potential impact of the proposals on large industrial electricity users:

- Bombardier's attention was drawn to this consultation by the Confederation of British Industry (CBI). Although the consultation is available on the "allislandproject" website, it is not easily located from the "UREGNI" website. Given the significant impact the proposed treatment is likely to have on large energy users, it seems reasonable to have expected a more comprehensive approach to informing key stakeholders including, for example, the organisation of briefing workshops.
- There is a significant lack of information provided in the consultation to allow us to fully respond and detailed economic modelling is most notably absent.
- The technical nature of the consultation makes it very difficult for non-experts to fully understand or appreciate the significant impact the proposed treatment would have on average electricity prices. More should be done to bridge the gap between industry experts and industry users to ensure that the proposed treatment and, in particular, the resulting consequences for consumers as well as the electricity industry, are fully understood by all.
- At a workshop for large energy users hosted by the CBI on 7 November (an endeavour by the CBI to provide an opportunity to seek clarification on the consultation), the question was asked if economic modelling had been carried out to fully outline the cost implications for users. The response from the regulator was that no modelling had been undertaken and that the 'worst case' scenario would be a 9 per cent increase in the average pool price.
- It is widely acknowledged that energy costs are among the three largest costs faced by industry and a key differentiating factor between the profitability of various global manufacturing locations. For Bombardier, energy costs are critical to its overall competitiveness and its Northern Ireland location places it at a disadvantage when compared to other areas within Europe, North America and even Great Britain.

- Bombardier's Belfast operation currently has to meet energy costs which are some three to four times those of other Bombardier sites and it has seen significant above-inflation energy cost increases over the last ten years.
- An increase in the order of 9% above inflation would have a material impact on the Belfast site's ability to win new, and retain existing, work packages.
- Bombardier would ask that the regulator gives particular consideration to the effect on large industrial and commercial customers of any increase in energy costs (short- or long-term) and weighs up the overall risk to Northern Ireland's manufacturing sector. A decline in large users would have significant knock-on effects on smaller and domestic consumers both in terms of regulated tariff costs and the viability of network extensions and modifications, not to mention the larger impact on Northern Ireland's economy.

In summary, Bombardier is unable to give a full response to the consultation as the presentation and content of information does not offer a detailed explanation of the issues at hand and the extent of their potential impact on our organisation. It would be helpful if the Single Electricity Market committee could extend the period of consultation, not least to allow for detailed economic modelling. It would also be appreciated if the regulator hosted a workshop with large energy users to fully outline the real cost implications of the proposals.

Yours sincerely



**Cecil McBurney**  
Director of Plant Engineering  
Bombardier Aerospace, Belfast