

16 November 2012

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

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

Dear Kenny,

CBI Northern Ireland is an independent, non-party political organisation funded entirely by its members in industry and commerce. Across the UK, the CBI speaks for some 240,000 businesses which together employ around a third of the private sector workforce. Our membership in Northern Ireland includes businesses from all sectors and of all sizes. It includes the majority of the top 100 companies, small and medium-sized enterprises (SMEs), social enterprises, manufacturers and sectoral associations.

CBI Northern Ireland welcomes the opportunity to comment on the consultation in respect of the Treatment of Gas Transportation Capacity Costs (SEM-12-089).

Comments on the Consultation

- CBI was alerted to the consultation on 18 October within one week of the consultation closing. Although the consultation was available on the website, given the significant impact this is likely to have on large energy users we would have expected at a very minimum to have been advised of the significance of this consultation, and furthermore that workshops would have been organised to inform key stakeholders.
- We appreciate that the regulator did grant our one month extension to the consultation. However, the lack of information provided in the consultation to allow us to fully respond to the consultation still remains.
- The technical and legalistic nature of the consultation makes it very difficult for non-experts to fully understand or appreciate the significant impact this will have on average electricity prices. More must be done to bridge the gap between industry experts and industry users to ensure that the consultation is fully understood by all, and in particular the potential impacts of proposals on consumers as well as the electricity industry.



Kirsty McManus Assistant Director

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- We hosted a workshop for large energy users on 7 November to allow them an opportunity to understand the consultation. Many of our large energy users requested if modelling had been done to understand fully the cost implications for users. We were informed that no modelling had been done and that the “worst case” scenario would be a 9% increase in the average pool price. Energy costs remain a key issue of competitiveness for many of our manufacturing industries (and increasingly for other sectors, notably certain IT companies) who are directly competing with low cost competitors in China and beyond. It is essential that we continue to protect our energy intensive industry in Northern Ireland - a 9% increase in average electricity price threatens to undermine their competitiveness, future investment plans, and for some their likely survival.
- In comparison to mainland GB prices within NI are already competitively disadvantaged and with the anticipated increases from this proposal it only compounds the issue.
- There is growing concern that the cumulative impact of energy policies - such as the European target market and in particular the proposed carbon floor price - risks making our industrial base further uncompetitive within the SEM as well as globally.

Recommendations:

- The SEM committee must extend the period of consultation to allow for proper cost modelling
- The regulator must host a workshop with large energy users, and other key stakeholders, to inform them of the “true” cost implications.
- On a more general point the regulator should provide key stakeholders with the one page summary of all existing consultations that is currently provided to the NIAUR board
- The regulator should implement a traffic light system for each consultation that would clearly highlight to large energy users, and other consumers, the risk impact on electricity costs.
- The regulator has more regular planned meetings with CBI in relation to proposed consultations on a quarterly or biannual basis.

It is with regret that our members were unable to fully engage in this consultation process due to lack of information and an ill- informed consultation process. We look forward to the opportunity to engage with you further to discuss our concerns further.

Yours sincerely,

Kirsty McManus
Assistant Director
CBI Northern Ireland