



Kenny Dane
Utility Regulator
Queens House
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16th November 2012

Treatment of Gas Transportation Capacity Costs

Manufacturing NI represents the interests of almost 500 manufacturers in Northern Ireland from all sectors and in a wide variety of locations. Members range from some of the Provinces largest energy users to SME's and micro businesses.

Competitive energy costs are vital to the survival of the manufacturing sector in Northern Ireland. Our members are already struggling to compete against a background where they are paying a premium of around 20% on electricity costs over their competitors in the Republic of Ireland despite the Single Electricity Market, due to differing tax regimes and regulatory approaches in the two jurisdictions. Manufacturers are competing in a global marketplace. Commercial electricity costs in GB are between 15 and 20% lower than in Northern Ireland, France is some 35% lower and North America 70% less. Energy is typically the third largest cost faced by manufacturers after labour and raw materials and is a vital component of every manufactured product.

The Consultation Process

- MNI was first alerted to this consultation by CBI in late October within one week of the consultation closing. It is disappointing that the Regulators office made no effort to draw this important consultation to the attention of large users and trade bodies and has not held any workshops to explain this complex matter.
- The consultation document is written in "technospeak" and assumes a level of background knowledge of the large scale gas supply sector in Ireland which simply does not exist among users. This renders the document completely incomprehensible for users. Even energy

professionals we have consulted in the course of this consultation have struggled to understand it. Of utmost concern is the fact that the consultation documents contains absolutely no indication whatsoever of the impact of these proposals on the price of electricity in Ireland.

- Although an extension of one month was agreed whenever we raised the issue of the short consultation period, this has proved inadequate to allow either MNI or its members to gain sufficient understanding of this complex area to allow any substantive response, due to the lack of coherent information provided.
- We have since been advised by the NI Utility Regulator that a “limited amount of high level modelling” has been done on these proposals which indicated that it is likely to result in a price increase of between 8% and 10% on electricity. We consider that as a result, this is possibly the most important consultation issued since the formation of the SEM. It is a major concern that there is no mention in the consultation document of these projections.
- In light of this major projected price increase, we consider that it is vital that users have an understanding of which part of the energy supply chain will benefit or increase profits from these proposals. In a regulated market such transparency is vital for consumer confidence. Once again this issue is not addressed in the consultation document.
- We consider that the incomprehensibility of the consultation document and the complete lack of any market impact assessment, result in a consultation process which is deeply defective. This we believe, conflicts with the SEM Committees principle obligation to protect the interest of consumers.
- MNI have already taken preliminary legal advice on this matter, which indicates that the consultation itself, and any decision made as a result, would be liable to be successfully challenged by judicial review with resultant cost implications.

In view of the above, it is our position that this consultation document must be re-issued, written in plain English, in terms which can be understood by electricity consumers. It must also be accompanied by a comprehensive assessment of the price implications for consumers together with an indication of which part of the supply chain benefits from these proposals. We also consider that a series of workshops must be held for large users both North and South with sufficient time allowed for users to make meaningful responses based on an understanding of the impact of the proposals on their businesses. It would also be most helpful if the Regulator could set out what alternative courses of action might exist for dealing with the issue.

It is unfortunate that we are unable to make any substantive response to these proposals due to the critically flawed consultation process. We request a response to our call for the consultation to be re-issued or extended within 21 days, otherwise we will be forced to consider our position with regards to other remedies.

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Bryan Gray,
Chief Executive

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