



RESPONSE TO THE CONSULTATION ON A “NEW ELECTRICITY MARKET FOR NORTHERN IRELAND AND IRELAND FROM 2016 - INTEGRATED SINGLE ELECTRICITY MARKET (I-SEM)”

Manufacturing NI represents the interests of over 500 manufacturers in Northern Ireland including some of the largest energy users.

The EU’s Director General for Enterprise and Industry, Daniel Calleja Crespo, recently told the NI Assembly Business Trust Presidents Dinner “Europe must re-industrialize. The target is set at 20% of GDP but this is only possible if we resolve the issue of competitiveness”.

Competitive energy costs are vital to securing investment in and ensuring the survival of the manufacturing sector in Northern Ireland which employs some 80,000 people and with sales of £17b per annum – the major driver of the NI economy. For some time we have highlighted the fact that our members are struggling to compete against a background where they are paying a major premium on electricity costs over their competitors in GB, the Republic of Ireland and elsewhere in Europe. Indeed, we now have our own evidence that NI has the most expensive electricity in Europe for large consumers.

Our largest employers, many of whom are multi-national companies such as Michelin, Montupet, Moy Park, Dale Farm, Bombardier and Almac, are effectively competing against other plants in their own group across the globe, where electricity costs are much lower with differentials as high as 300% compared to places such as the USA. Those who can are opting for energy independence in an attempt to maintain competitiveness or provide confidence in Northern Ireland plc from parent companies deciding where to invest capital.

The Utility Regulators own published research “Northern Ireland Electricity Prices: Data and Comparisons” should be a stark warning to the Regulator and policymakers. It provides indisputable evidence of exactly where Northern Ireland sits in terms of electricity costs. Addressing this should be the starting point or, as a minimum, the prime driver for any redesign of the SEM. Yet, this appears to not be the case.

The redesign of the market is your best opportunity to fix what is broken in regards to providing affordable electricity. If you do not, then we will undoubtedly see manufacturers take flight undermining NI Executive’s economic and social policies (disproportionately impacting on the region outside of our main cities) and the thwart the ambitions of the Programme for Government.

This process cannot be seen as being required solely by compulsion from the EU. The SEM, as currently designed, is not achieving the benefits which many hoped for and this cannot be explained away by delays in more inter-connection. There is a need to repair the SEM to ensure that customers can afford what it markets.

Manufacturing Northern Ireland is a not-for-profit trade association incorporated as a Company limited by guarantee in Northern Ireland. Registration Number: 073892

Registered address: c/o Wendy Walsh, Irwins Bakery, 5 Diviny Drive, Portadown BT63 5WE

Contact: Stephen Kelly (CEO) – T. 07768480737 – E. stephenkelly@manufacturingni.org

The NI Assembly's ETI Committee have recently published their findings and recommendations from their investigation on pricing and these should be acted upon now, as they have asked, by SEMO and others as well as taking it into consideration when designing any new market model. Yet, perhaps due to some overlap in timing, there does not appear to be any recognition to the work of the Committee in your options.

Having examined the proposals we are very disappointed that there seems at best only passing consideration about affordability. It is the legislative duty of Regulators to act in the best interest of consumers, including our members, yet the single biggest concern consistently expressed to Regulators by customers (price) does not appear to be a major influence on the modelling exercise which has concluded in the 4 options being consulted upon. Rather, all the work seems to have been in the interests to generators providing them with clarity and scenarios which appear to potentially provide greater certainty on profitability. Customers require certainty on competitive prices!

The Regulator and energy policymakers must commit and take action through this redesign process, to smooth the price variance within the all-island market in the short-term, after all, we share the same network so there is no justifiable reason to be paying a full 20% more and the outcome of this work we must begin to move us to an EU average during. This will transform our export and economic performance and indeed meet the reindustrialisation ambitions set out by DG Calleja Crespo.

On face value, Option 1 seems like a suitable approach as it provides greater opportunities for supplying into the market. However, the cost of implementing this (or indeed any of the options) is not clear. Option 1 for instance would require huge investment in IT infrastructure which could cost £100m+... experience tells us it's always the customer, our members and others, who pick up that bill.

The Utility Regulator has demonstrated that it is willing to act to drive down unnecessary cost to customers through its Price Control of the network provider. Network charges usually make up around 25% of our member's bills. We would hope that you demonstrate equal rigour and determination to make a positive impact in this area which will have a much greater influence in the price which they pay and indeed the future fortunes of business in Northern Ireland. To do this, and for us to support any chosen route, you will require the evidence to ensure the best option is chosen in the interest of consumers.

There is no appropriate evidence on the impact any of the 4 options outlined will have on customer bills. Instead it is proposed that an option be chosen first then the impact on customers considered. This is deeply concerning and wrong. The process is flawed, weighted toward those who input into the SEM rather than draw from it and in our view will result in a poor outcome for customers.

So, at this point, in the absence of proper modelling of the specific impact on the price paid by customers (affordability), we cannot support any of the proposals laid out in the paper.

The Board of Manufacturing Northern Ireland have no objection to the publication of this submission.

cc. Patsy McGlone MLA – Chair, Enterprise Trade and Investment Committee, NI Assembly
Phil Flanagan MLA – Vice-Chair, Enterprise Trade and Investment Committee, NI Assembly

Manufacturing Northern Ireland is a not-for-profit trade association incorporated as a Company limited by guarantee in Northern Ireland. Registration Number: 073892

Registered address: c/o Wendy Walsh, Irwins Bakery, 5 Diviny Drive, Portadown BT63 5WE

Contact: Stephen Kelly (CEO) – T. 07768480737 – E. stephenkelly@manufacturingni.org