



***Response to DETI Consultation on  
Single Electricity Market Legislation***

***January 2007***

## **Introduction**

1. The Consumer Councils' role is to give consumers a voice - and to make sure that voice is heard by those who make decisions affecting consumers. A Non-Departmental Public Body, the Consumer Council was set up by statute in 1985 to promote and safeguard the interests of all consumers in Northern Ireland.
2. The Consumer Council has certain specific responsibilities for energy (including natural gas, electricity and coal), passenger transport and food, and it has been proposed by Government to take on the role of the consumer representative body for water and sewerage services.
3. A key feature of the Consumer Council's work is the need to carry out research to determine consumer concerns and to campaign for the best possible standards of service and protection. The Consumer Council has a major role to play in educating consumers so that they will have the skills and confidence to meet future challenges.
4. The Consumer Council welcomes the opportunity to respond to the Department of Enterprise, Trade and Investment's (DETI's) Consultation on Single Electricity Market Legislation.

## **Engagement**

5. The Consumer Council has consistently supported the development of an all-island electricity market, recognising the potential benefits in terms of security of supply, fuel diversification and reduced pressure on costs. We have also consistently pressed the Government, DETI and OFREG on the need for openness, transparency and rigorous analysis in order to provide assurances to consumers on the perceived benefits of the SEM development. We therefore wish to acknowledge the fact that representatives of both DETI and Ofreg attended the Consumer

Council's Energy Group meeting on 29 November 2006 to answer questions and provide clarification on these and other issues:

## **Detailed Comments**

6. The Consumer Council wishes to record its concern about the restricted (eight week) period of consultation that has been applied to this process. Whilst conscious of potential time constraints to allow for both jurisdictions to put in place legislation, the Consumer Council considers that a document of such importance should have been given at least the best-practice 12 week consultation period to enable consultees to make a considered and informed response. We would therefore wish to have clarification of the consultation guidelines used in this instance.
  
7. The Consumer Council welcomes the fact that the principal objective of the DETI, the NI Authority for Utility Regulation and the SEM Committee in relation to this issue will be to protect the interests of consumers.
  
8. The Consumer Council welcomes the publication of the cost benefit analysis, as contained within the Regulatory Impact Assessment. The Consumer Council has repeatedly called for a cost benefit analysis to be conducted in our responses to previous consultations, namely the Draft All-Island Energy Market Development Framework in August 2004 and the High Level Design Consultation process for the Single Electricity Market in May 2005. We note that these figures have been derived from an analysis undertaken by NERA Economic Consulting. The Consumer Council welcomes the fact that this underpinning analysis has been published and made available for all stakeholders in addition to the overall consultation process on the SEM.

9. The Consumer Council notes and welcomes the overall estimate of the impact of SEM implementation of around a one per cent reduction in Northern Ireland electricity bills compared to the business as usual scenario.
  
10. The Consumer Council also notes that a number of wider strategic benefits are likely to flow from SEM development including:
  - (a) Lower cost of generation;
  - (b) Larger wholesale market, leading to economies of scale;
  - (c) Stable trading system;
  - (d) Increased security of supply;
  - (e) Shared costs of maintaining fuel diversity, and
  - (f) Attractiveness for generation investment.
  
11. The Consumer Council notes the potentially distorting effect of the dominance of ESB with its ownership of 55 per cent of the generation capacity. However, we recognise the steps taken by Ofreg and CER to resolve this issue in the market design including:
  - (a) The Annual Mandatory Gross Pool;
  - (b) The Capacity Payment;
  - (c) Vigorous monitoring of market power through marketing monitoring unit;
  - (d) Direct Contracts in which dominant suppliers will have regulated contracts that are tariff specified and transparent, and
  - (e) Requirement for regulatory approval for new ESB plants as opposed to automatic replacement of redundant plants.
  
12. The Consumer Council wishes to comment on the arrangements for openness in relation to the SEM committee. Whilst the Consumer Council will continue to interact with Ofreg in the same manner as before and will seek to raise relevant SEM issues where appropriate, we consider it important that the decision making process of the SEM

committee be made available for wider public scrutiny. We therefore propose that minutes and details of the considerations of the SEM committee should be made available publicly.

13. The Consumer Council considers that more information is needed regarding the criteria and selection process for the independent SEM Committee member. We also question whether one independent member is sufficient. We believe that consideration should be given to the appointment of at least two appropriately qualified and expert independent members to the Committee. This could be achieved via open competition for a member from each jurisdiction.

14. The Consumer Council welcomes the reassurance from DETI at the Council's Energy Group meeting that the SEM legislation will not have any effect on the existing statutory roles of the Consumer Council. We believe that the statutory roles and powers of the Consumer Council are increasingly important in a single electricity market to ensure that policies and actions can be tracked and interventions made, where appropriate, on behalf of electricity consumers.

## **Conclusion**

15. The Consumer Council looks forward to continuing engagement with both DETI and Ofreg on the development of the SEM. We urge DETI to consider earnestly the issues raised in this submission and to provide a response, particularly in relation to the comments we make about the consultation process and the SEM committee.