



The Consumer Council

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

**30 April 2014**

Dear Kenny

**Re: Possible Cancellation of Generating Unit Agreements in Northern Ireland**

The Consumer Council welcomes the opportunity to respond to this consultation.

The Consumer Council notes the Regulator's estimation that the cancellation of the remaining GUA will save consumers in Northern Ireland around £3.8m per year until 2023. Based on this figure, the Consumer Council would support the Regulator's proposal to terminate the GUA from December 2014.

However, the Consumer Council would like to raise two key points. We have outlined those below.

- **NIAUR calculations**

The Consumer Council would like to point out that that the projections of the benefit/cost to consumers set out in table 1.1 of the present consultation are

strikingly different from the similar analysis included in the Regulator's Decision Paper from April 2012<sup>1</sup>. This is shown in table 1 below.

**Table 1. Comparison NIAUR calculations of Annual Benefit/(Cost) to consumers of retaining GUA for CCGT10 and CCGT20 (£k). Base case**

Net benefit/cost to consumers £k	2015	2018	2021	Total 2015, 2018 and 2021
NIAUR 2012 <sup>2</sup> estimations from Bford CCGT10& CCGT20	£3,585	£11,394	£11,306	£26,285
NIAUR 2014 <sup>3</sup> estimation from Bford CCGT10& CCGT20	<b>-£4,693</b>	<b>-£2,903</b>	<b>-£4,295</b>	<b>-£11,891</b>
Difference NIAUR 2012 and 2014 estimations (£k)	£8,278	£14,297	£15,601	£38,176

Source: CCNI calculations using the data in NIAUR Decision Paper in Relation to the Possible Cancellation of Generating Unit Agreements in Northern Ireland 30 April 2012 and the NIAUR Consultation on the Possible Cancellation of GUA in NI March 2014.

The Consumer Council is surprised at the striking variation in the Regulator's estimations, over £38m in total over three years, particularly since these were carried out within two years of each other. While we rely on and trust the Regulator's economic expertise, these figures pose a question mark on the reliability of economic projections. Therefore we ask the Regulator to explain the difference between the projections carried out in 2012 and 2014.

Furthermore, the Consumer Council would like to remind the Regulator that its primary objective in deciding on the possible early cancellation of the remaining GUA is the protection of the consumer interest. The Consumer Council is of the opinion that this objective can only be achieved if the Regulator uses the best data available to inform its decision. We seek assurances that this is the case in this instance.

<sup>1</sup> [http://www.uregni.gov.uk/publications/gua\\_decision\\_paper](http://www.uregni.gov.uk/publications/gua_decision_paper)

<sup>2</sup> Source: NIAUR Decision Paper in Relation to the Possible Cancellation of Generating Unit Agreements in Northern Ireland 30 April 2012.

<sup>3</sup> NIAUR Consultation on the Possible Cancellation of GUA in NI March 2014.

- **NIAUR scenarios**

Two of the scenarios included in the economic analysis within the present consultation paper, low gas prices or gas/coal merit order flip, would result in significant financial detriment to consumers. The Regulator has estimated a potential cost to consumers of around £81m and £85m<sup>4</sup> overall for the period 2015 to 2023 as shown in tables 4.3 and 4.4 of the consultation paper.

The consultation paper does not provide any evidence or analysis about the likelihood of the two scenarios quantified in tables 4.3 and 4.4. Therefore we ask the Regulator to provide evidence or analysis on this point, before reaching a decision on the possible cancellation of the GUA. The Consumer Council believes that this information is key to help assess more accurately the potential economic impact to consumers of the cancellation of the GUA.

The Consumer Council also asks the Regulator to provide details of any remedies that may exist to mitigate the financial impact of the occurrence of low gas prices or gas/coal merit order flip if the GUA are cancelled in December 2014. If these remedies exist the Consumer Council asks the Regulator to implement those as part of the GUA cancellation project plan.

## **Conclusion**

Consumers should face a low risk in relation to the proposed early cancellation of the remaining GUA because it is a choice that they not have direct control over. Overall, the evidence suggests that it would be in the best interest of consumers in Northern Ireland to cancel the GUA from December 2014. The Regulator has estimated the likely savings on £3.8m per year.

However, the Consumer Council is unable to provide unequivocal support to the Regulator's proposal to cancel the GUA from December 2014. We are

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<sup>4</sup> Technical details are included in pages 19 and 20 of the consultation.

concerned that two of the scenarios included in the consultation paper would potentially result in financial detriment to consumers of around £80m-£85m until 2023. Also, the striking difference between the estimations of costs/benefits for consumers that the Regulator carried out in 2012 and 2014, around £38m, poses a question mark on the reliability of the economic projections under consideration.

Based on the above, the Consumer Council asks the Regulator to provide more information on the likelihood of both scenarios. If the UAG were to be cancelled early as proposed, we would strongly ask the Regulator to implement any measures that may exist to mitigate the potential financial detriment to consumers. Finally assurances about the robustness of the Regulator's economic analysis are needed to ensure that the protection of the consumer interest is at the heart of this process.

If you wish to discuss any aspect of the Consumer Council's response, please do not hesitate to contact Paulino Garcia on 028 9067 2488 or by e-mail at [paulino.garcia@consumercouncil.org.uk](mailto:paulino.garcia@consumercouncil.org.uk) .

Yours sincerely

Signature

**Paulino Garcia**  
**Policy Officer (energy)**