



The Consumer Council for Northern Ireland response to the Utility Regulator draft determination on the SONI price control 2020 – 25

14 September 2020

The Consumer Council

1. The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.
2. The Consumer Council has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.

Consumer Principles

3. The Consumer Council welcomes the opportunity to respond to the Utility Regulator's consultation on its Draft Determination (DD) on the price control for SONI. We use the eight consumer principles shown in Figure 1 as a framework that asks important questions about service design and delivery, consumer impact and how services should look and feel to the consumer, and that helps assess regulatory decisions from a consumer perspective.

Figure 1: The Consumer Council's Eight Consumer Principles





4. The consumer principles also establish a common language that all stakeholders (Government, Regulator, Consumer Advisory Body, and the Company) can use to meaningfully and constructively engage with consumers to develop trust and a better understanding of the value for money a company/price control can provide. The Consumer Council recommends that the UR uses the consumer principles as a framework for the SONI Price Control 2020-25 to support its decision making before reaching a final determination.

SONI Price Control 2020 – 25

5. The Consumer Council commissioned SLG Economics Ltd to scrutinise and analyse the UR's draft determination for the SONI Price Control 2020-25 from a consumer perspective and to make recommendations on how the UR can better protect consumers.
6. The Consumer Council would ask that the UR takes account of this specialist advice and that the UR fully considers the recommendations in the SLG Economics report which will improve consumer outcomes before a final determination is reached. The full report is attached.
7. While The Consumer Council is requesting the UR to review the attached report and to give this its full consideration, below we highlight key points from SLG Economics analysis.
8. The Consumer Council welcomes SLG Economics' general view that the UR's proposals and approach to the regulatory framework is in the consumer interest.
9. However, The Consumer Council is concerned that SLG Economics has identified the quality of SONI's business plan as a worry to consumers and that the UR found the price control arrangements were skewed too far in SONI's favour. The UR must have a clear understanding as to why the business plan received a poor rating and what it needs to do to ensure there are significant improvements. Consumers must not experience any detriment from poor business planning.
10. SLG Economics also explains that SONI could engage more with consumers and should focus more on consumer benefits. Additionally the analysis highlights the importance that the UR's interventions deliver value for money for consumers. For instance, that additional system outputs deliver value to consumers in a way which benefits them.
11. Another area The Consumer Council would draw the UR's attention to is the importance of the final determination detailing clear and focused high level objectives which deliver consumer benefits. SLG Economics identifies this as one way to better protect consumers. However, it is vital these objectives are supported by evidence to show that they meet consumers' interests and improve consumer outcomes.



12. Under the accountability section of the SLG Economics report, The Consumer Council would underline the suggestion that the UR should, *“place significant weight on customer/consumer feedback and customer/consumer-facing output measures to ensure that SONI is incentivised to deliver outputs that customers and consumers value”*. Again, the UR must make sure SONI is accountable to consumers for its performance.
11. SLG Economics also suggests that SONI should commit to improving its performance and working in consumers’ interest by aligning its Board and senior manager bonus payments with the outcomes of the regulator’s performance evaluation of the company. Additionally, SLG Economics recommends that all parts of the performance framework are kept under review to ensure the framework works in the consumer interest. The UR will need to robustly monitor SONI’s performance.
12. In section 7 of the report, SLG Economics recommends that SONI and the UR should consider if the Covid-19 pandemic and the UK’s exit from the EU are likely to have an impact on SONI. The Consumer Council believes this is critical and would ask that the UR analyses this area thoroughly before reaching a final decision.
13. SLG Economics analysis also raises a number of other considerations for the UR. These include the salary cost allowance assessment, real price effects and pension cost allowance assessment which the UR will need to take account of before reaching its final decision.
14. SLG Economics noted the UR’s proposal to remove the requirement for EirGrid to provide a £10m parent company guarantee (PCG) in support of SONI’s TSO activities. Instead of this proposal, SLG Economics has suggested a lower PCG of £5m which will mean to consumers are better protected.

Conclusion

15. The Consumer Council recommends that the UR fully considers the attached SLG economics report into the UR’s draft determination of SONI’s price control 2020-25.
16. The Consumer Council is concerned there is a risk that SONI will spend inefficiently and consumers could pay higher prices. The UR will need to adequately address this issue and it is essential that the UR implements the recommendations put forward by SLG Economics in its report.

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Enclosed

SLG Economics Ltd - A review of the Utility Regulator’s Draft Determination of SONI’s price control