



## **Sure's Response to CICRA Draft Decision: Cost Pass-through for Guernsey Electricity Limited**

Sure (Guernsey) Limited ("Sure") is submitting this paper in response to CICRA's Draft Decision Document 19/10: E1453G Cost Pass-through for Guernsey Electricity Limited 2019 (the "Draft Decision"), which was published on the 13<sup>th</sup> March 2019.

We note that the initial Call for Information was only issued to Guernsey Electricity ("GE") and was done so following GE's request to CICRA to consider whether it should be allowed to recover its historic uncontrollable costs. Whilst we understand the confidential nature of the information that GE was then required to share with CICRA in order to support its case for cost recovery – and certainly do not expect such information to be published or shared by CICRA or GE - it does strike Sure as somewhat anomalous that CICRA has not previously disclosed that it was considering such a request from GE. The first that Sure became aware of this request was when this Draft Decision appeared on CICRA's website and as such there has been no prior opportunity for Sure – or anyone else that may have a legitimate interest in this matter – to make any representations regarding the principles applicable to this request.

This issue is an important matter, not just for Sure – as the largest customer of GE – but for Guernsey as a whole. It reinforces the need for a well-considered energy policy to ensure the ongoing sustainability of what is critical national infrastructure and on which other critical national infrastructure, such as telecommunications, is so dependent.

In Sure's case, the main impact of this price increase would be felt by our data centre customers as a significant proportion of the prices we charge those customers is related to their electricity consumption. Whilst data centre services are not regulated by CICRA, they are an important source of revenues for Sure (and we assume for other providers of such services in Guernsey). We are already finding it increasingly difficult to attract and retain data centre customers in Guernsey due to more competitive prices being achievable for these services in other international jurisdictions. The continuing uncertainty around the potential impact of Brexit is another factor that is making Guernsey a less attractive jurisdiction for data centre customers. As such, a significant increase in the price of electricity as envisaged in this Draft Decision, would only add to the pricing pressure that we are already facing.

More fundamentally, the apparent lack (at least within the public domain) of a coherent long-term strategy to consider and safeguard the Bailiwick's energy needs is only going to undermine Guernsey's reputation as a stable, risk free environment that can attract and support international businesses. We therefore believe that there needs to be:

1. an overall market review of future energy needs within the island that considers the impact of demand side factors – such as increasing use of electronic devices, electric vehicles, etc., - as well as supply side factors, including alternatives such as renewable energy;
2. more importantly, given the rationale for this proposed price increase, visibility and discussion of the plans (if any) and costs for redundancy options in the form of alternative cable; and
3. detail regarding the States of Guernsey's overall strategy for the development of and structure for retail competition.

The above is missing at the moment, which means that CICRA is left to tackle issues in a piecemeal, isolated fashion as and when issues arise. This then means that businesses such as Sure with significant and increasing power requirements (with no power substitutes) are completely unable to plan, even for the medium term.

As such, whilst Sure is sympathetic to Guernsey Electricity's plight to a degree - having also faced increased costs that are entirely out of our control, including currency fluctuations – we are concerned that this current request, which is confined to the recovery of historic costs (albeit at close to £10m), may not be the last. We do note that CICRA has stated that GE will be required to provide evidence of improved efficiencies for any future full price review, however, what will happen if GE is again able to convince CICRA that any cost increases have been entirely outside its control? Will CICRA simply accept this and again agree that GE can pass on the increase? This will only further damage the Bailiwick's reputation as a stable environment.

In conclusion, we are concerned that this price increase would impact on our and Guernsey's competitiveness and therefore implore CICRA to ensure that – if it is not doing so already - it engages with the States of Guernsey and undertakes a fundamental review of Guernsey's current and future energy needs.

**Sure (Guernsey) Limited**

5<sup>th</sup> April 2019