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Channel Island Competition & Regulatory Authority  
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St Peter Port  
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7<sup>th</sup> August 2018

Dear Mr Byrne

### **Standby Charge for Embedded Electricity Generation**

I am writing in response to the Channel Islands Competition & Regulatory Authorities' (CICRA) call for information in relation to the review of the standby charge for embedded electricity generation. This response is on behalf of the Committee *for the* Environment & Infrastructure which holds mandated responsibility for Guernsey's energy policy, including renewable energy, infrastructure and the security of supply.

Community and economic life in Guernsey is reliant on secure and stable energy supplies to Islanders and businesses. It is imperative that energy is supplied in the safest way possible, and at an appropriate cost to consumers.

The local energy infrastructure is provided through a number of entities including Guernsey Electricity Limited, which is wholly States-owned, and the private sector in the form of Guernsey Gas and the fuel/oil companies.

The Committee continues to monitor the dependability and security issues which are relevant to energy supplies and which are so critical to the economic and social wellbeing of the Island.

Throughout the review, the Committee would wish to see a greater recognition of the fact that GEL is a wholly State-owned entity in a market with other entities capable of operating on a purely commercial basis, and an understanding that this arrangement is on the basis that the company is run for the benefit of the Island – not just in economic terms but in social and environmental terms as well<sup>1</sup>.

The Committee *for the* Environment & Infrastructure is mindful of the need for investment to maintain and develop infrastructure on Island in order to support growth and productivity, and cognisant of the importance of secure energy supplies to support the priorities of other Committees and the States of Guernsey, particularly those recently published by the Committee *for* Economic Development.

With regard to the specific questions raised in the call for information:

*Question 1: Does the respondent agree with CICRA's proposed principles for reviewing the GEL standby charge?*

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<sup>1</sup> Billet D'Etat VI 2015 – Page 405, para 4.41

*Question 2: Does the respondent agree with CICRA's proposal to set the standby charge applied by GEL at zero pending the review of the charge?*

*If the respondent has alternative views or evidence, including suggestions on benchmarking, the respondent is asked to explain those and provide all of its analysis and assessment relating to this matter to inform CICRA's consideration and next steps.*

The Committee is broadly content with CICRA's principles for reviewing the GEL standby charge, however would like to see "fair" changed to "fair and socially equitable". The Committee's proposals for a reviewed energy policy will be forthcoming in the first half of 2019, and an Island infrastructure plan before the end of 2019, and the Committee notes CICRA's intention to ensure that the regulatory regime supports the policy, and does not prejudice any changes. As noted in the 2012 Energy Resource Plan, it should also be recognised that policy may serve to encourage tariffs constructed on an alternative basis such as carbon intensity and/or social equality, rather than purely a commercial foundation.

Noting that Guernsey Electricity Ltd have previously committed to undertaking a full review of its suite of charges, the Committee would favour such an approach during the CICRA review to inform appropriate correlation between fixed and variable costs and charges. It shares CICRA's view that a partnership approach would be expected from all involved given the likely resource requirements. The Committee welcomes the review by CICRA but asks that it is sensitive to the potential impact on energy consumers. A key concern for the Committee is that energy be provided in a way that is fair and socially equitable to all consumers. It is aware of the rapidly changing nature of the energy market, and would not wish to bring forward an energy policy that would be prejudicial to achieving that objective. It would therefore expect any charging model in the future to be socially equitable.

As such, it notes the intention to set the standby charge applied by GEL to zero pending review of the charge, but would wish to see a mechanism to change this approach swiftly if there was evidence that it was having a distortionary effect on the market (as described in paragraphs 3.5 -3.6 of CICRA's call for information). The Committee would also wish to see a commitment that the review is completed within 9 months and assurances that the review would be completed regardless of any changes in the future regulatory regime of GEL. It would also like to suggest that thought be given to including a mechanism by which the standby charge could be retrospectively applied (or an appropriate equivalent should the review determine that a change to charges is appropriate). This not only means appropriate charges are applied but also ensures that it remains in the best interests of all parties that the review is conducted in a timely manner.

It also reserves the right to make further representations to CICRA during the review by virtue of its mandated responsibility for energy policy development, through which it expects to gain a broad range of insights from the consultation process planned for the next few months.

Yours sincerely



**Deputy Mark Dorey**

Vice-President

Committee *for the* Environment & Infrastructure