MANUFACTURING
NORTHERN IRELAND

Response: NIE Networks Consultation on MIC Charging Methodology

To begin, we appreciate the need to maximise network capacity in the interests of all consumers. It is accepted that there are many consumers who do not use their full MIC. This can be for a large number of reasons including historic connections, energy efficiency investments, new processes or indeed bad advice from consultants and NIEN themselves.

There are a couple of customer types which need to be considered as different to the run of the mill.

1. Customers with a high overnight demand relative to their day demand i.e. cold stores who tend to use more energy at night than during the day.

2. Customers who have a demand less than 70KVA and are supplied at Medium voltage (415v). While these are not "large customers" they do make up the largest proportion of Commercial/Industrial customers. These customers do not have any capacity charge so how they will be treated going forward.

It is deeply concerning that there is no mention of how customers who have paid the full 100% of a new connection, which will be based on a requested MIC, will be treated if their actual demand is less than their requested MIC. What protection will they have if NIEN come along at a later date to lower their MIC to free up capacity in the local network.

There are numerous examples where a customer was advised by consultants (likely after engagement with NIEN) where the customer paid NIEN to supply the infrastructure and paid 100% of the connection cost but a short time later when another large customer arrived on the scene, NIEN informed the customer that as they were actually using less of their paid for connection and that NIEN were going to revise the MIC down to allow another customer access to the reserved capacity. NIEN's attitude at the time was you're not using it, so we are going to reallocate it. However, should the customer develop out their plans and decide to increase their plant in the next 2-3 years that NIEN would not guarantee the capacity.

It should be noted, in some cases these customers have paid in the millions of pounds for these connections, supplied only until recently by NIEN. In many if not most cases these connections placed a huge financial burden on our members at the time and continuing for years after as this capital was repaid. In many cases, this continues to be a cost of their business.

So, to try and put some thoughts to the questions posed in the consultation:

Q1 - From a customer perspective the key issue is will a charging mechanism based on MIC rather than a Chargeable Service Capacity (CSC), with a demand measured between 08:00 & 22:30, as is currently the case, deliver a lower cost. The consultation paper suggests it would but as always the devil will be in the detail which is not made available so we are unable to take a firm view on this given past experiences.

Q2 - In the absence of any cost analysis the key question is how will NIEN approach the cost recovery of customers carrying a high MIC relative to their measured demand and will there be any dead zone between the 2 before any additional charge would be levied.

Q3 - Covered in our opening comment above.

Q4 - Excess Demand charges may be a good thing but there is no evidence provided that this is something which has had a positive impact on customer behaviour. If it were evidenced that this helps focus the customer on ensuring their demand is as low as possible, then it should not be punitive for an occasional demand over shoot.

Q5 – It is always difficult for new customers on the network to strike the correct balance between requested MIC and actual demand and therefore from a customer perspective it would be necessary to have a full 12 month bedding in period where no exception charges are levied. NIEN may argue that it is up to the customer and their consultant to ensure the correct MIC level, however in practice diversity within the customers consumption/demand profile can only really be understood once a plant is up and running for a period of time

Q6 - currently any excess charge is only levied if the KVA demand exceeds the MIC for 2 consecutive months. Speaking to suppliers, excess charges were only chargeable on a very few occasions by a very small number of customers. The paper suggests c500 customers are exceeding their MIC which seems a lot and seems disputed by suppliers. Regardless, no customer group, nor representatives, would support an escalation of charging levels.

Therefore, 6a would be the only outcome an organisation such as ours could provide qualified support for.

6b would appear to be NIE Networks preferred option but this would require additional billing development costs by suppliers which will increase costs to customers which is again unacceptable.

Given all of the above, the potential to realign customers current MIC down to their existing Chargeable Service Capacity (CSC) should only be undertaken after direct discussion with and agree of the customers directly impacted and in a way which is understandable and fair to the customers involved. A probationary period would be required, ideally over the winter peak period (Nov-Feb), to ensure their CSC / MIC is suitable for the future needs of their business. Whilst their current CSC charge is based on their highest demand over the previous 23 months during the hours 08:00 & 22:30 daily, we would recommend a 4-month winter probationary period on the basis that (1) demand is generally highest in the winter and (2) the new MIC will be a 24 hour demand so it would negate any load profile issues for those with high night loads who would have most to lose.

Once this probationary period is passed it may well then be the case that the role of the exception charge would assist with keeping customer focus to their demand.

Those who have paid 100% of the connection cost should be given the option to retain their MIC as paid but compensated should they voluntarily agree to release unused capacity.

In the past couple of years, NIEN have created confusion and in many cases conflict with customers on their MEC connections (in many cases this is ongoing) which has resulted in costing customers money. There is the very real prospect that proposals or actions on MICs would penalise customers (particularly those who have paid vast sums for connections) to a greater extent and significantly impact the operation and plans of many businesses. So, we do not at this point offer our support for these proposed approaches in their current form.

We are happy for this response to be published and we will be sharing it with the Utility Regulator and on the MNI website.

Manufacturing NI
6th September 2018