



RESPONSE TO THE CONSULTATION ON NIE'S PAYMENT SECURITY POLICY

Manufacturing Northern Ireland welcomes the opportunity to respond to this consultation and commend the Regulator on ensuring that customers were not bypassed by the company in their own consultations on this issue.

Our view on this is essentially very simple. The consumer should not be paying for this charge at all never mind suffer a rise. Our members and others like them, including the most vulnerable businesses and domestic consumers, have no control over the financial position of a supplier. It is for NIE to operate their business in an efficient and effective way using very common business practice to assess and manage the risk ensuring that there is no undue or undeserving costs passed onto the consumer.

The exposure of this hidden and unfair charge raises some significant questions which we believe NIE, as a regulated company, are compelled to explain:

1. How much has been collected (even in the current and immediate past price control period) from this fund? And, what has been done with this money? Has it be paid back to customers?
2. What claims have been made against the money already collected for this fund/policy?
3. NIE should rank and publish, in order of risk, the suppliers they believe to present a real prospect of defaulting which they believe would justify this charge never mind increase the charge. The suppliers are, almost exclusively, major companies backed by even larger corporations – what risk do NIE see in these companies defaulting? Is it likely? Have they done and updated due diligence on these suppliers?
4. With the economy growing, why do NIE believe that there is more risk now than during the financial crisis?
5. What level of cover is being proposed in these charges? How would that relate to market size and risk?
6. Are NIE not operating common business practice to control risk? If not, why not? What they have been collecting and proposing to extend does not usually be passed directly on to the consumer in this way, so why should NIE do this? This process makes it less likely that

NIE would take every effort to mitigate risk as they are in a no lose situation with the consumer always picking up the bill. Indeed in normal competitive markets, adding this level of charge would make NIE uncompetitive so unlikely to make these charges in this way – the Regulator should step in an act in the consumers behalf in the absence of market forces.

We believe this is a ridiculous situation whereby the consumer, again, is paying twice, holding all the risk but not in a position to influence the risk factors. NIE are placing themselves in a ‘can’t lose’ position at the expense of vulnerable and overstretched customers. Their charges are endured by the consumer AND pick up the bill if NIE’s customers (the supplier) defaults by not passing on payment to NIE! That is deeply unfair and we believe the Regulator should intervene.

This is just one example of many hidden charges which inflate NIE’s financial performance at the expense of the consumer leading us to endure uncompetitive electricity costs as outlined in your own offices reports on price comparisons across Europe. We would encourage the Regulator, on back of this issue being uncovered, to deep dive into similar hidden charges in the interests of the consumer. What are these hidden charges? The consumer has a right to know and be protected from unnecessary charges particularly those over which they consumer has no control or influence.

We are happy for this response to be published.

27 May, 2014

stephenkelly@manufacturingni.org