



**MANUFACTURING**  
NORTHERN IRELAND

## **Reponses to the SONI Price Contol 2020-2025**

**14 September 2020**

**Response supported by:**



## Introduction

Manufacturing NI represent some 550 manufacturing businesses across every constituency represented in the NI Assembly.

Manufacturing represents around 14% of local GDP and approximately 11% of total employment. With around 70% of manufacturing taking place outside of Belfast, it's impact on local economies is more pronounced with, for instance, more than 1 in 4 jobs in Mid-Ulster and more than 1 in 5 jobs in the new M&EA and ABC Council areas being a direct manufacturing job with a further 1.2 jobs per job supported in indirect and induced markets meaning that half of jobs in Mid Ulster and 4 in 10 jobs in Mid and East Antrim and Armagh Banbridge and Craigavon Council areas depend on the sector.



This response is also supported and endorsed by the Mineral Products Association NI (MPANI) whose members, as energy intensive users, supply over 90% of Northern Ireland's minerals and construction aggregates. The Geo-science industry directly accounts for a total of 34,000 jobs (4.6% share of NI's total employment), a GVA of £2.1 billion (5.8% share of total NI GVA) and 6,150 businesses (8.6% share of the total), with the quarrying and construction minerals sector directly contributing to around 64% of employment in the geoscience industry and 75% of its GVA.

## Background

**Manufacturing makes a substantial difference to the Northern Ireland economy.** The sector directly provides c89,000 jobs and made a Gross Value Added contribution of almost £5 billion to GDP.

**Manufacturing supports jobs and economic growth across all Northern Ireland and in rural and urban areas alike.**

**The impact of Northern Ireland’s manufacturing sector is strongly felt throughout the economy.** The contribution that the sector makes extends significantly beyond the jobs, economic activity and wages directly associated with the sector. There is an additional indirect impact which encapsulates the activity and employment supported in the supply chain as a result of the manufacturing sector’s procurement of goods and services from other parts of the Northern Ireland economy. In addition, there is a further induced impact, comprising the economic benefits that arise as the people employed in the manufacturing sector and its supply chain spend their wages in the local consumer economy, for example at retail and leisure establishments.

Including all three channels of economic impact—direct, indirect and induced—the total contribution of manufacturing to the Northern Ireland economy is over £10 billion.

In total, we estimate that the sector sustains more than 220,000 jobs; amounting to a quarter of all jobs in the Northern Ireland economy. For every manufacturing job in Northern Ireland, another 1.5 are supported elsewhere in the economy. By sustaining this level of employment, manufacturing directly contributes more than £2 billion in wages to its own staff, and a further £2.5 billion in wages through jobs supported outside the sector itself.

**The manufacturing sector’s impact goes well beyond its immediate or core economic impact.** Wide-ranging benefits are created for the Northern Ireland economy as its activities boost economic activity elsewhere in the economy.

# Consultation: Our Response

## Process

Can we begin by thanking the Utility Regulator for including us in the SECG process. We believe that this was a very positive development not only for consumers but for SONI and the Regulator. Whilst detailed and technical, it provided for a level of transparency and engagement which should be seen as a model to build upon for future price controls by regulated companies.

It has been our experience, whether intended or not, that SONI saw consumers as an aside. Of course they will stronger argue they are there to serve customers and ultimately consumers, but our sense was that consumers were an aggravation. It is clear from the SECG process and the resulting Draft Price Control that SONI are being encouraged and have embarked on a **process of cultural change**. This is very much welcomed. Transparency, deep engagement and acceptance of accountability will always result in outcomes which are beneficial for all parties ensuring the right priorities are set and investments in the interests of consumers then follows.

SONI have engaged positively with the process and we very much encourage the company, its leadership and the Regulator to continue this cultural change.

## Governance

As a relevant aside, whilst subject to separate work by the Regulator, it is to be welcomed that Eirgrid have appointed 2 new Board members with a specific remit to overseeing their investment in Northern Ireland through SONI.

## Service Expectations

It is our view that SONI should be **transparent, engaged and accountable**. In this regard we accept that the Regulators view of their business plan as outlined in their Draft Price Control strikes the balance required to allow the company to continue this process of change, meet the expectations of consumers, the challenges of energy transition and a level of funding to operate a safe, secure and affordable transmission network.

It is disappointing that SONI to now seems to have focused on what they do not like about their Draft Price Control rather than what they do like. This was particularly apparent when consultants working on their behalf engaged with us in the SECG process to seek our support for increasing potential rewards for activities which consumers would ordinarily expect the company to deliver. We would hope that in the company's own response they reflect more on what they like and build on that.

It is important that SONI collaborate and cooperate with industry, customers, consumers and Regulators if they are to deliver these aims. We believe there is sufficient resources and reward in the Draft Determination for the company to do this.

## Funding

The amount of money SONI receives in the scale of the size of the total energy bill may appear to be insignificant but (particularly now in a post Brexit, post Covid world where it will take some time to recover jobs and external income) every pound matters. We remind SONI (and the Regulator) that investments in regulated companies come only from consumers.

We do however accept that whilst the quantum of money permitted to SONI may be small, the impact of their work can have a hugely significant impact on final bills.

So, unusually for us, it is our view that the funding award outlined in the Draft Price Control strikes the balance required and would support the Regulators view, having forensially reviewed SONI's plans, that sufficient funding is provided to operate safe, secure and affordable services whilst providing support to manage the transition in the market.

### **Performance Framework**

We support the Regulators proposals for penalty/rewards. We believe this strikes the correct balance and ensures motivation to increase performance delivery whilst at the same time sufficient caution to not put at risk positive outcomes for consumers.

The proposal for an Evaluation Panel is also supported. It is our view that, as has been experienced through the SECG process, that consumers should have a seat at that table. We do not believe that the panel should be of the same scale as SECG but should have a balance of technical and financial expertise and consumer representation.

We would be content for the Regulator to run that process but believe that it should be independent (including an independent Chair) and pass its recommendation to the Utility Regulators Board who are the decision makers in law.

## **Conclusion**

We are broadly in support of the proposals as laid out in the Draft Determination. The SECG process has been a very positive addition to the engagement around a draft business plan and crystallising the views of customers and consumers which helps the Regulator form a view. We thank both the Regulator and SONI for engaging in that process in an open and collaborative way.

*We are happy for this response to be published.*