



Office of Utility Regulation

Electricity Price Increase and review of GEL's Customer Billing Practices

Information Note

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Suites B1 & B2, Hirzel Court, St Peter Port, Guernsey, GY1 2NH
Tel: (0)1481 711120, Fax: (0)1481 711140, Web: www.regutil.gg

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Background

Under the Electricity (Guernsey) Law, 2001, Part II, Section 12, the Director General must approve tariffs before they are levied by the licensee. In February 2007, the Director General issued a decision (Guernsey Electricity Limited's (GEL) Price Control 2007 (OUR 07/04)) approving tariff changes with effect from 1st April 2007 and which included a review mechanism so that consumers and GEL are both protected should energy prices change materially during this period. This cost- pass through mechanism allows Guernsey Electricity to recover fuel and electricity import costs and includes an inflation adjustment.

The price control period is for four years, which commenced 1st April 2007 and ends 31st March 2011. In the previous two years the global market for energy exports has been highly volatile. As a consequence, GEL faced significantly higher oil and electricity import prices than was envisaged as part of the price control. While the price control has meant the consumer has been shielded from the volatility of energy prices, the passing on of the increase in energy prices has been delayed. However it is was not possible for GEL to absorb the level of additional costs it has incurred.

Maximum Price for Electricity

In accordance with the Price Control decision, the Director General has applied the cost-pass through mechanism and after a review of GEL's actual costs the Director General has informed Guernsey Electricity it may increase its electricity tariffs from the 1st April 2009, allowing tariffs faced by customers to increase by a maximum of 17 per cent.

Review of GEL's Customer Billing Practices

The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 Part II Section 2, states that it is the duty of the Director General to protect the interests of consumers in respect to the prices charged for, the quality and the service levels of services provided by utilities. Over the past number of months the OUR has received a number of queries from members of the public in relation to GEL's charging arrangements, including the justification and criteria used by GEL in requiring deposits from customers that are new, have moved house or are renting. This has led the Director General to commence a review of GEL's billing practices. Included within this review is the approach adopted by the company to setting the level of direct debits, its disconnection policy and the information benefits to customers of the Automated Meter Reading devices.

Following the completion of this review the OUR will consider whether any changes are warranted in the existing practices and consumers will be notified in due course.