



Responses to Proposed Variation of 20th November 2020

As at 7th December 2020

1. Interested Party

Thank you so much for the new Electricity prices report for Sark.

I am very impressed with your detailed report on the SEL Electrical layout and pricing and think your idea of low kWh consumption tariff charge is a great idea which hopefully will keep people connected to the grid.

If many people start building micro power stations with green and diesel energy I fear SEL would suffer spiralling further down with the lack of money to spend on Operational infrastructure.

2a. Resident

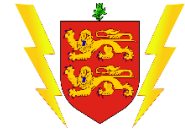
Thank you for the opportunity to comment on your variation and the new arrangements proposed.

One element that strikes me as needing more elucidation and discussion is SEL's proposal for deposits (g). You say that you have no power to regulate the size of deposits. I don't see the logic of this exclusion. Is it an oversight? Surely, deposits are part of a complex of measures to secure fair payment for supply and usage. In that, they are not essentially different from standing charges. Some utilities require payment of these in advance. The ability to spread cost of sustainable electricity to the consumer over a foreseeable future period has, it seems to me, always been at the centre of your concerns. I can see that there are advantages to the company in such a scheme and that it might lead to a reduction in defaults on payments. But an unregulated system of deposits has potential to be abused and to cause hardship.

2b.

Your legal advice does nothing to allay my concerns. Rather, it points to a loophole. But your not having power to control the size of a deposit does not mean that you may not express an opinion on the subject as part of your watching brief. This is – as you have said so often – a matter of trust.

I should add – and should have said in my first letter – that the tenor of all the other proposals strikes me as reasonable and benign.

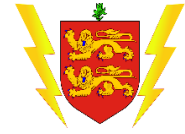


3 Resident

I am sorry I can't see how SEL can charge the minimum monthly fee to people who don't use that much no other business on the island do that if Gavin charged every customer 20.00 a month for oil weather you use it or not there would be a lot of complaints .

4 Two Residents

- a) We agree with the minimum charge concept which we take as meaning moving some of the costs to run SEL from permanent residents to those with little used properties. However, we wonder if £40/month is a bit too high purely because 2nd home owners etc. may be tempted to put in their own second-hand diesel generation. We are one of the 19 properties currently off the grid. There are 4 diesel generators within 100 meters of our house so our corner of the Island is rather noisy and at times smelly; adding generators round the Island should be discouraged. A slightly lower minimum charge may do the trick. Selfishly, we border on using the minimum amount per month so it may be better for us to use a bit more electricity at no extra charge to us.
- b) Presumably the unit charge will drop significantly to compensate for the higher standing/minimum charge. If the proposed unit cost of 58 p plus a very low fixed charge makes SEL balance its books then we should be seeing a significant reduction in the unit charge with a high minimum monthly charge which is proposed.
- c) We absolutely reject the notion of providing a deposit for SEL. We are not in the business of funding their business for free. Furthermore, should any deposit become mandatory then it would have to go into an interest bearing ring fenced account controlled by an independent financially approved person or institution, repayable when supply of electricity ceases to the individual concerned (e.g. if they move away or sell the house). We would not be happy to have our money at risk of being lost should SEL take our deposit and then go bust or be taken over by another party who would not honour any repayment. The rough sums suggest SEL will have £125k of free finance under their proposal which is a significant capital input in the context of Sark electricity. Taking a deposit doesn't happen in the UK, it only happens in some other jurisdictions for bad payers and it shouldn't happen here. It would be particularly hard on the poorer members of our community. For the richer members of the community it is yet another incentive to go off grid. Mr Jackson said at the public meeting that he held in the summer that he had a good source of long term investment for SEL; the only inference we can logically draw from this sudden wish to take deposits is that he is running out of money and the investment fund has evaporated. It is a bad sign.
- d) As an aside, we are one of the 19 properties who were cut off by SEL. Despite a phone call from Mr Jackson promising support for all 19 households he has done nothing to our knowledge to remedy the situation. If Mr Jackson wants our support for his changes then we need to see some positive action to restore our electricity. As things stand, and taking the Price Commissioner's figures at face value, the loss of income from our 19 properties plus the loss of income from big users going off grid apparently amounts to a fall of 10% in SEL's income which in turn will presumably mean a further application for an increase in charges one way or another. It appears that the temporary generator's unit cost that is supplying us is covered by the current SEL unit charge; any increase in charge by SEL will only drive more people away from SEL and an increase in own or group generation. This is not in the interest of SEL's shareholders and definitely not in the interest of Sark.



5. Resident

I have had a quick read of the notice that has been put up on the notice board at the Gallery. It is my understanding that you are proposing that every property should be charged a monthly 'standing charge/minimum payment' of £40. (This notice has not yet been posted online so I am hoping that I have this correct.)

As someone whose bill is usually under this amount I have often wondered how Sark Electricity is able to provide me with electricity whilst charging me so little – high fixed costs, high fuel costs etc.

So I am happy personally with your proposal. I am also happy that owners of empty properties will have to pay their fair share towards the provision of electricity via the Sark grid. All that now needs to be sorted are those selfish sorts who park noisy electricity generators in fields...

Many thanks for the valuable role that you have played and will hopefully continue to play in the provision of an equitable supply of electricity to the people of Sark.

6. Resident

I refer to your notice dated 20th November.

I have no comments on the minimum monthly charge.

With respect to the proposal for a deposit of £250 for each supply, you need to set out the terms under which these deposits will be held. You may not be able to regulate the size of deposits (which I find surprising) but you have to ensure that deposits are kept separate from operating income of SEL in a segregated bank account.

Deposits should not represent a windfall for the company and should, instead, be recorded as a liability in the company's accounting records. Deposits should only be accessed by the company if, for example, a customer fails to pay their monthly bills.

If I were to cease to be a customer (by leaving the island as opposed to becoming a self generator) I would not want to find that my deposit could not be returned to me because SEL have already spent it.

7. Resident

Thank you for the opportunity to comment. However I have some difficulty commenting on some aspects of the electricity supply system as the lack of any apparent policy for the future energy supply for the Island, either from SEL or the Sark government makes it difficult to foresee the longer term consequences (either beneficial or detrimental) of current decisions. I find this particularly so when commenting on how self generation should / could interact with the future supply for the overall benefit of consumers.

With particular reference to the questions posed :-



- a. 1,150,000 kwh for 2020 would appear to be as close to reality as possible. For 2021, with the current influx of new residents and the 'virtual' consumption that a minimum monthly bill would achieve, I think it reasonable to expect a consumption figure between 1,300,000 kWh and 1,600,000 kWh including off grid consumption.
- b. A minimum monthly charge, whilst perhaps not the best solution (no long term policy) would be simple to operate and understand and beneficial at least short term. (Would a fixed monthly service charge with the equivalent no of units consumed included free be a better description - ie. £40 service charge with first 74 units free).
- c. Two years, given an interim adjustment mechanism.
- d. I can see some merit in a different rate of return for new investment but would like to be reassured that such investment fits beneficially into an overall plan.
- e. If the consumption increases as expected (even if only the 'virtual' consumption), then it would be hugely beneficial if the recovery of the under-recovery did not require a price increase.
- f. I would be content with such an arrangement and assume that the figure of £10,000 has been chosen to avoid multiple trigger points.
- g. No chance of collecting a deposit - most simply won't pay (ref. attempt to increase price to 85p).
- h. Comments at beginning of response.

8. Resident

Thank you for inviting comments on the proposed variation of the PCO.

I accept that a minimum monthly charge will go some way to allow SEL to recover 'under recovery'. This is reasonable. I am glad that you have consulted with the Procureur who suggests that such an arrangement would not affect her clients. There may be a very small number of consumers who live on Sark full time but use less than £40 worth of electricity a month. They might be considered vulnerable. Those who take long winter holidays, and there are normally quite a number of these (though not this year), would, I assume, also pay £40 for any months that they consuming very little or no electricity. I would have no strong objection to this.

On a personal note, and looking through consumption over the last year or so, our bills would remain about the same if unit price was 48-56 p per unit.

I am assuming that the minimum monthly charges would apply to all dwellings using less than the minimum amount regardless of what type of business/home they are. This would mean that self-catering units, mainly empty in the winter, would pay 5x £40 (November to March inclusive) so would doubtless expect to pass this £200 on to paying customers over the summer months.



Assuming that they have clients for the other seven months this would only mean about £29 per month to recover which is not a huge amount when you look at the tariffs for renting self-catering accommodation on the island.

I assume that self-generators who wish to remain connected to the grid would also pay the minimum charge per month.

I would resist, strongly, any requirement to pay a £250 deposit. This is not because I particularly object to the concept of a deposit but my lack of trust in the current owner of S.E.L would lead me to suspect that, should I cease to be a consumer, my deposit would be very unlikely to be returned to me, having been used in some other way. I would only consider paying a deposit if I was informed quite why it should be needed (and I would not accept 'in case I default on payment' as, having been a customer of SEL for 30 years I have never had an outstanding bill), how it would be held (and I would require to be quite clear that it was to be held in a clients' account managed by someone independent of S.E.L) and how quickly I would expect to have the deposit returned to me should I cease to become an SEL customer.

Quite frankly I would resist paying any money to SEL in any situation that was not covered by the Control of Electricity prices legislation in the current climate.

9. Own Generator

I refer to your notice dated 20th November.

Although I am not affected I would in principle object to the minimum charge. I do not see any fairness in non-residents having to subsidise residents. Moreover, we both know the direction of travel and implementing a minimum charge will subsequently push you to increase it on and on and on as SEL's customer base will inevitably reduce.

The deposit proposal is simply shocking and I am opposing this vigorously:

- This amounts to "clients monies" and therefore I really believe that a company like SEL under its current ownership should not be allowed to implement this. How could these funds be used, diverted, etc. The timing of the proposal is interesting. I believe SEL has certain legal fees to settle shortly!

- Why would people who are already connected and pay their bills should be subject to this? I would understand a deposit being required in case of poor credit history, etc but coming from Mr. Jackson this would be a bit much, wouldn't you think?

10. Resident

I've had some concerns expressed to me with regards to monthly tariff.

examples I've been given are work shops/ builders sheds where less electric is used in the summer months but considerably more in the winter when they have planned to do all their "indoor work", all the sheds down the harbour that have running electric and some businesses (myself included in this) that use a considerable amount of electric in the summer months but are pretty much mothballed for the winter.



11. Resident

Thank you for all the work you have done on proposed variation.

I have no comment to make about a) as I don't fully understand all the ramifications.

b) I very definitely agree with having a minimum charge that everyone pays and £40 sounds very reasonable.

c) I think a 2 year term would be better as it gives businesses a longer period to plan their budgets but I do not have any strong views about it.

d) no comment

e) it appears that there are lots of new people arriving on Sark so presumably consumption is going up but it's unclear how many will stay long term or actually live here. I would prefer the 2 year option.

f) I agree with this

g) I'm very concerned about the idea of a deposit. I presume it would be to cover a bill of the person left the island without paying which I know has happened in the past. I assume it should be less of a problem now we are billed monthly so SEL shouldn't let large bills accrue.

I would be very unwilling to pay any deposit to SEL/ Alan Jackson but if we had to do this I suggest an independent account is set up for the deposits administered by some sort of panel/ trust who would only pay any monies to SEL when there is a clear case of bad debt.

I have a lot of queries about the whole issue but I appreciate that unfortunately the commissioner cannot regulate this at all.

h) I find the situation in the north of the island where so many properties are supplied by generators to be shocking and I cannot understand how it was allowed to happen or continue for so long with, as far as I am aware, no resolution in sight.

12. Interested Party

Item 5 of the 'Review of Price Control Order of 20th December 2019 & Proposed Variation' issued by your office on the 15th October 2020 states the following:

'On April 30th 2020, Mr Jackson informed me that the consumption figures provided to my Office by SEL's previous owner were seriously in error. The consumption for 2018 had been significantly overstated and the electricity consumed by the auxiliary power station plant had been erroneously included in the sales.'

If the consumption for 2018 was significantly overstated, by inference one reason for this could be that customers' consumption was lower than was being billed for. I don't know if this was the case, but if it was, there plausibly may have been the same issue happening historically prior to 2018.

Are you able to comment on whether this may have been the cause of the overstated figures for energy consumption please?

13. Resident

I append below my personal comments on your questions:



- a) I would favour 1,300,000kWh. The population seems to be building at the moment and it is possible that the summer dip in resident numbers has been reversed. This should result in greater consumption.
- b) I am not averse to a monthly payment to produce a more level cashflow to the company. Where I do have a problem is with the concept of a minimum monthly charge. If the minimum is looked at on an annual basis and credit for the payments made is set off against the total annual consumption then that would be entirely fair. Sark has a number of seasonal businesses, which are essential to the commercial fabric of the Island and they should not be penalised.
- c) In these uncertain times, a one year time scale is sufficient.
- d) SEL should be encouraged to invest, it is long overdue.
- e) One year.
- f) This seems fair.
- g) Deposits is a tricky subject. If this is to ensure payment of supplies, then it should be ring fenced in a client account and only drawn on if the customer defaults. If on the other hand it is to provide interest free capital to the company then I have real concerns. These concerns arise because the company should be able to raise finance at advantageous rates in the market. If this is not possible then it is wrong to demand that the customers finance the business. Whilst it is not within your remit, care will need to be taken over the terms of the deposit. The risks to the consumer must be limited and there must be a right of set off against the outstanding supply bill, in other words it is a payment in advance for electricity to be supplied. These changes taken together will make us personally revisit the possibility of going off grid to ensure continuity of supply as it places the supply security in doubt.
- h) Every effort should be made to retain the concept of one single provider. Past threats of 85p per unit as well as disconnection (now a reality for 19 houses) does nothing to encourage a community approach, as opposed to self-generation by larger consumers. SEL has to realise that the power of their monopoly can be eroded at great speed and with it the value of the investment in the company. The Director talks of a life span over assets such as grid cabling of 50 years, which is valid in terms of potential use, but will be worthless in the event of multiple self-generation.

14. Resident

Many thanks for your notice of the proposed changes to electricity costs with the consideration of a connection charge.

It is clearly a fact that many properties are occupied as holiday homes only and their electricity consumption is therefore much less. This situation is now changing with the recent influx of anticipated residents, with most of the properties now being occupied.

I understand from your note you cannot regulate the fixed connection charge, but the amounts collected are presumably taken into account as a revenue figure in calculating what is a reasonable amount for unit payments, so that hopefully we will see the unit prices for electricity drop by 10% or 20% once this proposed change is implemented.

It does however also seem to me inappropriate for varying amounts to be paid by different types of property, since use and activity changes year by year, but that it should be a fixed amount per property, whatever their consumption, as it will be a credit against their electricity usage.



Whether or not therefore it is likely to be a great benefit to Sark Electricity, I am not sure, since most properties are now becoming occupied. However, if it does provide a contribution it should reduce the unit price – if Sark Electricity are right – by a fairly substantial amount.

Your view on what this could be would be much appreciated.

15. Resident

The new company has failed to settle down . Much early goodwill has been lost and with it confidence in the company and medium/long-term supply . The company needs encouragement to invest and recognition of the need for it to be allowed to recover from this year's shortfall but allowing it to circumvent price increases by introducing a deposit would be quite wrong and a bad precedent which I believe you should challenge ,not least because many on Sark will find it hard to pay ,effectively straight into the owner's pocket .

Minimum monthly charge.

I support this . All those connected should at least make a contribution to fixed cost .

Variation.

This should remain on a yearly basis until the company is working more steadily.

Rate of return .

7.5% rate of return on new asset investment seems reasonable as this needs encouragement.

Deposit .

This should not be allowed until its aim is clearer and the security of return has been established . Without this what confidence can customers have in repayment ?

16. Resident

Thank you for the opportunity to comment on your consultation document dated November 2020, please feel free to publish any of my responses anonymously - my responses are as follows:-

a) **The consumption forecast.** I'm wondering whether it would be useful to understand what if any change to these figures may occur due to recently arrived individuals and families - primarily through the relocation initiative lead by Swen Lorenz <https://www.swen-lorenz.com> Also the dairy development which is underway, Richard Axton or Christopher Beaumont would know more about when this facility will be operational.

b) **The concept of minimum monthly charges.** I agree with this, and some practical real life worked examples for those on the lowest incomes (who don't yet need Procuruer support) would help in allaying any fears of the change. I would expect a proper contractual arrangement between the customer and SEL to set this out clearly.

c) **One or two year duration of the Variation.** I would wish to see a two year duration for this.



d) **Using a different rate of return for new assets of 7.5% per annum, nominal.** The current rate of return should apply to all current and future assets.

e) **The recovery of the ‘under-recovery’ in two years rather than one.** I would prefer two years rather than one.

f) **The introduction of the “balance”, the trigger for adjustment of £10,000 and the period over which the adjustment will be made to the unit charge.** No comment.

g) **Deposits.** I see no reason for accepting this as part of SEL’s business model, I anticipate mass rejection of this by customers.

h) **Any other matters relating to electricity pricing respondents would like to raise.**

1. One concern is the power supply for cleansing (UV) and pumping water from bore holes. It would be good to clarify how these power supplies are included in the term ‘customer’ when considering standing charges.
2. I’m also concerned that the legislation does not appear to provide for control related to the issue of “Deposits” and would wish to see this clarified by the Law Officers if possible.
3. I feel strongly that second/holiday home owners should pay the same standing charge as year round residents.

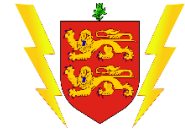
17. Resident

In response to para 35:

a) I know little about consumption forecasting but it has been clear for some time that consumption would fall if customers went off-grid; this has now happened and more consumers look likely to follow as the drive to convert to clean energy continues. I find it very strange that SEL have done nothing to help this process along and thereby help themselves.

But we have had an influx of new ‘residents’ in Sark recently, supposedly up to 100 though it is unclear yet how many are real residents. With the news of the Covid-19 vaccine, perhaps next year will see more visitors by the time summer comes, the abattoir is also up and running and, with luck, the dairy.

b) I am in favour of the minimum monthly charge and not only because I am a low energy consumer. With so many houses empty, this might help to redress the balance for real residents. Am I right in presuming that since the proposed charge is per customer, if somebody had a separate meter in their shed or somewhere, it would not attract a minimum charge? I see there is a class of ‘other’ customers – would that include the observatory for instance, where the Sark Astronomy Society typically use about 4 units per annum. It does also appear that many of the new ‘residents’ are here because of Brexit and would wish to claim a residency in the Bailiwick, in which case they may still be absent consumers. I guess time will tell. I would not want the charge to so high that people with holiday homes felt it would be cheaper just to buy a generator and use it whilst here.



- c) I don't think I personally would be affected by the difference between 1 or 2 years variation period. Fuel prices will remain low I would imagine for the next while, particularly seeing the new UN Secretary-General and his recent statement about climate change.
- d) Covid-19 has changed the economy for almost everybody and SEL cannot expect to be any different. I would be delighted to receive anything over 1.0% as a rate of return on money. We are a captive market for SEL here in Sark, electricity is a necessity and there is no corporation tax.
- e) I believe SEL should take the long view and only seek to recover their losses over two years, not one. We need some price stability on Sark for the running of businesses etc.
- f) 'Balance' – I'm not sure I appreciate this plan but if the Commissioner is proposing it, I feel it is likely to be good for Sark.
- g) This is outrageous and I for one will not be paying Mr Jackson any money. A deposit normally implies that the money would be in some sort of escrow account with the intention to return it after a period of time. It's not as if I were a new customer after 25 years here and I have lived in other jurisdictions, bought electricity and never paid a deposit.
- h) Mr Jackson is on record talking to a reporter and stressing his view that buying SEL was always going to be 'a community endeavour'. I see no evidence of this on his part. I also do not think Mr Jackson should refer to Whitney Price as if they were some sort of separate entity; Mr Jackson IS Whitney Price and his partner James is the other half of the company. Whitney Price is just a name.

18. Resident

The deposit proposal

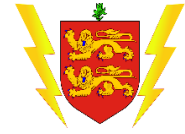
SEL has said that it proposes to make a deposit charge to its customers. We must go back to first principles to deal with it.

What is the legal status of it? Is it payable on demand as part and consequence of the contractual relationship, and capable of enforcement by legal action, or is it a voluntary payment? If it is not an enforceable payment and we all refuse to pay it, what is SEL going to do about that? If we pay on the optimistic basis that it is recoverable, what is to stop us demanding repayment the next day?

If it is legally payable and due on demand, I suggest that it is part of the price for electricity and should be subject to the scrutiny of the Commissioner who must determine what is a fair price for electricity under the 2016 Law.

Price is defined in the Law as being "any charge, fee or valuable consideration of any description or other element of price"

With respect, I suggest that the Commissioner is incorrect in saying that his powers do not extend to cover this aspect. On what legal basis does this payment however labelled, fail to



be within that definition as a charge or fee or a valuable consideration, and therefore part of the price of electricity?

If it is, it should lead to a reduction in the unit price.

If the commissioner refuses to exercise his powers what should we do?

It is an attempt by SEL to raise capital on an unsecured interest free basis by a company which cannot do so on the market by reason of its poor credit status

If we pay, our right to the money is lost and it becomes the property of SEL to do with it as it likes. It doesn't take much imagination to anticipate what would happen if SEL does get our money.

It should be resisted by all until the legal status of the deposit demand is clearly established, and it can safely be paid.

19. Resident

Thank you for asking for comments on the proposed pricing.

Minimum bill

I am concerned about poorer resident consumers. How many are there? I know of two persons who is in this category. and who are very concerned about paying more. Some people live on very marginal incomes.

Deposit

We have heard some disconcerting information in the Sark Newsletter about very substantial deposits for Self Catering establishments. We would discontinue our business if we had to pay the substantial amounts mooted. The deposit is a disincentive to small businesses many of which are marginal

Would any of the deposit sums be refundable? Would they be held in safe keeping by a third party? Some poorer people would not be able to afford any deposit. I am against any deposit system as such and very much against paying a substantial amount.

Any large increase in costs would incentivise consumers to buy generators, perhaps in conjunction with neighbours.

20. Resident

Anthony, thank you for your hard work producing this document. I apologise for not being more detailed and for not having fully absorbed and responded to the intricacies of your arguments, but time and opportunity have been in short supply.

I have complete trust in your work and recommendations and can only make a couple of comments:



Firstly, with regard to the proposed £40 fixed charge, whilst I support this in principle, it will work against me with the small self-catering cottage that we let out from April to October. During the months when the cottage is not let, we will be paying 7 months x £40 p.a. purely for a connection that is not being used. It will mean that we end up paying as a household more for our electricity.

Secondly, although you say that control of the mooted £250 deposit ideas is beyond your gift, the whole notion of Alan Jackson having access to substantial funds makes me uneasy. The man is not trusted. Are there any controls that could be imposed which restrict his access to or use of those funds?

21. Resident

Thank you once again for giving us the opportunity to comment on Electricity Supplies in Sark.

I am still concerned that you are trying to assist SEL in recuperating 'supposed' lost revenue - but as a tax payer on Sark, I'm more concerned that Chief Pleas is still supplying Electricity, in the vicinity of La Tour, using 2 generators, running 24/7 and no doubt costing the Island more money - who is going to repay Chief Pleas for this expenditure? I'm going to end up paying twice, as a tax payer and customer of SEL, for this fiasco!

SEL should be running these generators at their expense, or attach a temporary supply from the grid at the 'airplane field'.

All that's needed is 300mtr approx of cable and installation of the removed transformer (there is plenty room in the bay with the other transformer and switch gear in the Airplane field) . Permission for a temporary supply has been given by the land owner, Jordan DeCarteret, but this hasn't happened!

To date 'the problem' junction pillar is still in La Tour garden but the Transformer was finally removed on the 4th Nov.

I'm also concerned at the new proposed pricing structure - how is the calculation going to be made to state if you are a small, medium or large premises?

A campsite, only operating for 4 or 5 months a year will be penalised for the rest of the year as will guest houses etc that are not at full capacity all year round. Some people work from home, others run a part time business from home - does this make a domestic premises commercial?

There are also many meters in bore holes, sheds and workshops etc. Are they also going to have the minimum rate per meter applied?

My last SEL invoice, (I'm a permanent resident) was £38 so immediately I'm loosing out with the proposed new tariff!

I have A+ rated appliances and

I go out of my way to save electricity, which I believe should be encouraged to all, but the new tariff will force customers to use more electricity to use up their 'quota' - hardly very environmentally friendly!



How are SEL energy consumption records confirmed?

I know that at one stage SEL was generating more power this year than last year! Can we trust Mr Jackson's figures? Perhaps Sark Shipping would confirm how much fuel was transported in their 'holding tanks', as this fuel is only used by SEL. This may give a more accurate figure as to how much electricity was generated?

Sark has recently seen a huge uptake in people moving to the island, (Sark Estate Agents have run out of premises) so this is going to add a massive uptake in electricity consumption, and profits.

As I cycle round the island, residents tell me they are horrified at the thought of paying £250 to SEL. I can confirm I will not be giving £250, of my hard earned money, to a company owned and run by a convicted fraudster with a terrible track business record.

As a last thought, SEL can't be doing too badly if the wage bill for the 5 staff comes to £250k. I would like to be on that sort of wage, as would many residents!

22. Two Residents

REF: PROPOSED VARIATION

It is our understanding that the primary purpose of utility regulation is to enforce the pricing discipline on monopolies that competitive markets impose on most firms. SEL undeniably has the monopoly when it comes to the provision of electricity to residents and business's on Sark, hence there is a requirement for utility regulation on Sark.

Most electric utilities worldwide package the cost of distribution service, as well as the power supply cost, into a usage charge, calculated as a price per kWh. This is consistent with how any competitive business's will price its products, whether those products are the supply of groceries, restaurant meals, hotel rooms or self-catering holiday accommodation: the price per unit recovers all of the costs involved in producing, transporting, and retailing of goods and services. Consequently, a competitive business will usually recover all its costs in the price per unit of its products. Therefore, any fixed monthly charge for electricity service represents a deviation from this underlying principle of utility regulation.

We own & operate 3 licensed self-catering holiday apartments which provide most of our year-round income. As with all tourism related business's on Sark we must earn 12 months income during what is sometimes a very short tourist season of approximately 7 months. This in turn means that during the winter and shoulder months when our apartments are not occupied every night by visitors, the electricity consumption of each apartment is far lower than your suggested fixed monthly charge of £40. Another contributing factor to the lower consumption costs is that we have always purchased more expensive energy efficient appliances to lower electricity consumption costs which in turn protects the environment.



When we structured our business some 18 years ago, we had separate supplies to, and meters for, each apartment so that we could accurately apportion electricity costs, which in turn enables us to competitively price our accommodation.

We have a separately metered sewage treatment plant and pressurized water supply from our borehole (Invoiced by SEL as SEWAGE) which supplies all the properties on our land, which is collectively known as Clos de la Tour. The cost of provision of these services is apportioned equally between the properties hence the requirement for a separate meter.

We also have a separately metered utility room (invoiced by SEL as LAUNDRY) in which is situated coin operated washing machines and a tumble dryer for the use of our self-catering guests.

And finally, we have a building known as 'The Stable' which is separately metered (invoiced by SEL as STABLE) which is where we carry out maintenance work in connection with our apartments/business.

We attach 2 tables as follows:

a. Table 1 shows the payments we have made to SEL during the years 2018, 2019 & 2020 for the 3 separately metered supplies of electricity to our licensed self-catering holiday accommodation known as the Loft Apartment, the Garden Apartment and The Cottage.

The amounts highlighted in yellow are those amounts over £40 for the month.

We have shown the actual amounts that we would have lost if the £40 minimum charge had been in operation.

b. Table 2 gives the same information for the separately metered electrical supplies for The Stable, Sewage and Laundry. All of which are directly connected to our business.

As you can see from the 2 tables, if the £40 minimum charge had been in operation during 2018, 2019 and the period 1.1.20 to 30.11.20, this would have cost us an additional overall amount of £4789.46. This is a significant amount of our gross profit. We have already fixed our per night price for our licensed holiday accommodation for 2021 and to date have taken a significant amount of bookings for the 2021 season and therefore introduction of a monthly £40 minimum charge will have a high impact on our income during 2021 as we cannot increase our published and prebooked prices for 2021 at this late stage.

In our opinion it is completely unfair that SEL should consider introducing, and you the Commissioner should agree to the introduction of, such a high monthly minimum charge without the guarantee of a significant reduction in the per kWh charge. Something that at this stage you are both unable to confirm.

In most circumstances fixed customer charges recover only customer-specific costs, such as metering, billing and payment collection leaving all other costs of the shared system to be recovered in usage charges. We know that in recent years meter reading by SEL was carried out quarterly rather than monthly thus creating a cost reduction. The question of payment collection is simple in that those who pay invoices in line with the 28 day payment terms incur



no interest charges and those that do not make payment within the 28 day terms should incur interest to cover the cost of debt collection. Monthly billing is indisputably a fixed employee cost as indeed is meter rental. A high minimum monthly charge of £40 would cover billing, collection costs, metering and will clearly also cover a significant portion of distribution costs and therefore the per kWh charge should be reduced appropriately. With regards to the question of SEL holding customer deposits. We can see no reason as to why SEL should consider introducing a customer deposit requirement for customers who have a proven 12 or 24 month history of settling invoices within its required settlement terms.

SEL has a proven history of overcharging its customers in order to recoup costs that should not be the responsibility of its customers. Consequently, and despite being under new ownership, the majority of its customers have no respect for or faith in the Company.

Our representation is that we do not agree to the implementation of a minimum charge for every property on Sark. Nor do we agree to SEL requiring a deposit of £250.00p for each supply.

23. Resident

The respondent did not wish this representation to be published.

24. Two Residents

I am writing to express our concerns about your notice of the 20th November and to request that more time and information be given to SEL's customers to consider the full implications before the introduction of SEL's Tariff Proposal and Deposit system.

It would be helpful if SEL could provide, based on a minimum monthly charge for convenience, what customers can expect their bills to look like and what their anticipated deposit will be.

Also details of a written terms and conditions contract regarding the deposit to answer customers' concerns.

25. Resident

I am opposed to all these deposit and service charges. At the moment my monthly bill is £40 this includes the service charge for 4 meters. If I have to pay a £1500 per meter charge then I will have to go off grid as I just can not afford it. The same with the £40 per meter per month that's £160 I have to spend before I use any electric!

and do we get our deposits back if we sell up and move away?

this is all a scam so he can pay on going court fees against various people that should be coming out of his pocket not ours.

it's just a way of increasing the value of the company so he can sell for a quick profit and then we have to start again with the new owners.

please do not let these charges happen, I for one just can not afford it.



The following consultees required further clarification of the Proposed Variation and I have not considered them as formal responses under Section 16(2)(b) of the 2016 Law.

I Resident

Just to help make things clear and the way I understand it, please correct me if i am wrong , if any consumer of electricity exceeds the minimum standing charge of £35-£45 then they only pay there amount used. If however a house (unoccupied but connected) uses less than £35-£45 worth, they will be charged that minimum rate which you set.

II Resident

Am I correct in thinking that according to the tariffs shown on page 8 of the report ,that "extra large" commercial properties will pay a minimum charge of £500 a month ?
and

Thank you for your prompt reply. I was enquiring regarding the minimum charge for un occupied extra large buildings such as the hotels.

Will they be expected to pay a minimum of £250-£500 per month standard charge, as presumably they won't be consuming any electricity?

Anthony White

Commissioner

December 2020