

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON MONDAY 12TH DECEMBER 2016**

Question

In the light of guarantees given by some major utility companies in the U.K. over the freezing of winter fuel prices, what engagement, if any, has the Minister had with local utility companies (and specifically suppliers of gas and domestic heating oil) over the possible freezing of, or reduction in, tariffs in the Island; and if none, why has there been no such engagement?

Answer

This matter falls within the area of Competition and Regulation and responsibility for this is led by Assistant Chief Minister, Senator Ozouf.

The UK and Jersey Differences

The question is based on the assumption that Jersey is the same as the UK.

The circumstances in which some UK utility companies have undertaken to freeze winter fuel prices must be seen in the context of OFGEM (the UK energy regulator) investigating the energy markets and finding that competition in those markets was not working effectively for consumers.

The Circumstances in Jersey are different. The companies, the sectors and the findings of the Jersey regulator are all different from the situation in the UK. This important point needs to be emphasised.

This answer addresses the situation locally.

Jersey Heating Oil Market

CICRA published their review of the fuel market in Jersey in October last year and with respect to the heating oil market they concluded that:

We therefore have no reasonable grounds to suspect that a feature or a combination of features of market/s for the supply of heating oil/distribution of road fuel in Jersey are not acting in the best interests of consumers.

CICRA also pointed out that with respect to new entry in the fuel market:

In the view of CICRA the fact that new entrants to the supply of fuel to Jersey in 2014 (ATF) and 2015 (Roberts) are active or are about to be active in this aspect of the fuel market is significant.

Anecdotal evidence indicates that as a result of this increased competition heating oil prices are now lower and customers have increased choice particularly those customers with smaller delivery requirements. The ACM undertakes to work with the Jersey Consumer Council to support the continued development of their excellent price comparative information to take into account these market developments.

Jersey Gas Market

With respect to the gas market in Jersey, States members will be aware that work was commissioned to provide additional analysis of the gas market in Jersey by Oxera. This work was designed to build on the work done by CICRA. The objective has been to further establish whether the gas market in Jersey is acting in the best interests of consumers and to inform future government policy.

The final report was received on the 9th of December 2016 by the ACM. The report will be shared with Members and published during the course of this week.

The ACM and advisors are meeting Directors of Jersey Gas on Tuesday the 13th of December.

The Strategic Plan placed a high priority on improving competition. Ministers are fully conscious that States Members and the public want factual and thoroughly researched answers to legitimate questions about the price of gas and to inform domestic energy purchase options.

On the basis of the additional detailed analysis undertaken by them, Oxera have concluded that they agree with the overall conclusion reached by CICRA. That is, in relation to the historical profitability of Jersey Gas, there are no reasonable grounds to suspect that the gas market in Jersey is not acting in the best interests of consumers.

Summary

Given the findings of the CICRA and Oxera reports there is no justification for Ministers seeking or requiring gas or heating oil price reductions by suppliers at this time.

The ACM backed by Ministers wants to secure affordable energy prices in competitive markets that work in consumers' interests. The CICRA 2017 work programme will include further work on energy markets. The ACM will also engage with the Minister for P&E in further development of the Island's energy policy.

The Assistant Chief Minister will continue to work with CICRA to monitor trends in these and other markets and should evidence emerge that conditions have changed, will consider the appropriate response under the circumstances.