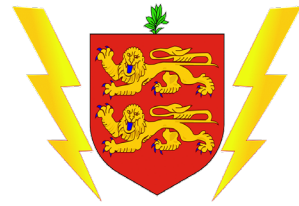


## **Introductory Note From Sark's New Electricity Price Control Commissioner**



**13 January 2023**

On the 13<sup>th</sup> of December 2022 I visited Sark and was sworn in as your new Sark Electricity Price Control Commissioner ("the Commissioner"). Later that evening I had the opportunity to meet with some local residents and, the next day in Guernsey, I meet with Alan Witney-Price of Sark Electricity Limited ("SEL") and with some other stakeholders.

Since my return to Belfast I have spent a considerable amount of time familiarising myself with my new responsibilities and with events since the formation of the Office of the Commissioner in 2017.

The purpose of this note is to tell you something about my background and relevant experience, and to inform you about my immediate intentions as Commissioner.

### **My Background and Relevant Experience:**

In summary, I have experienced all aspects of utilities for 39 years, operating at CEO and board level, in both the public and private sectors, across 3 sectors (electricity, gas and water/sewage), across 3 functions (operations, development and regulation), and across 3 jurisdictions (Great Britain, Northern Ireland and Ireland).

I graduated in 1983 with an honours degree in Mechanical Engineering from Queens University in Belfast. In 2003 I obtained a masters degree in Finance and Investment from the University of Ulster.

In 1983 I joined the then publically owned Northern Ireland Electricity Service as a trainee engineer. After my two years of training I enjoyed several engineering roles in the local power stations. In 1992 the electricity industry was privitised and the AES Corporation, a global power company with around 130 power plants worldwide, became my new employer.

Between 1998 and 2006 I was Managing Director of AES (NI) with responsibility for all aspects of managing two large-scale power plant businesses, with a combined capacity of 760 MWs, turnover of £190m and 200 employees. My responsibilities included: finance and accounting (including corporate governance and risk management); contract negotiation (fuel supply and electricity sales); environmental protection; safety; human resource management; external stakeholder management; and operations and maintenance.

Between 2006 and 2009 I was Development Director for the AES Corporation on the island of Ireland. I was responsible for the development and implementation of an AES growth strategy in the new all-island electricity market. My responsibilities included: origination and development (financing, permitting, EPC contracting, etc.) of infrastructure projects and; lobbying regulators/governments to "shape" the design and regulation of the new all-island electricity market.

Between 2009 and 2013 I was CEO of the Utility Regulator in Northern Ireland. This experience is probably the most relevant for my new role as Commissioner. My responsibilities included:

- Regulation of the electricity, gas, water and sewage networks with a combined value of around £6bn,
- Cross-jurisdictional regulation of the single wholesale electricity market across Northern Ireland and Ireland, and its evolution to a European market structure, and
- Leading a team of 70 people with an annual budget of around £9m.

My key achievements included:

- Saving around £500m for utility customers by successfully challenging proposed expenditure by natural monopolies. This involved making 10 price control determinations, and defending two of these against appeals to the then UK Competition Commission,
- Innovatively opening the electricity and gas retail markets in Northern Ireland to effective retail competition, resulting in savings for customers of up to 12% compared to the monopoly providers (who are still subject to a regulatory price cap), and
- Successfully leading a high profile investigation into the causes of major water supply disruptions affecting 450,000 customers over the 2010/11 Christmas period and, working with other stakeholders, helped to bring stability to a previously troubled water sector.

In 2013 I co-founded a 50-MW start-up business that provided demand-side response in the electricity market on the island of Ireland. This was provided at times of peak demand and was achieved by either the use of on-site diesel generators or by cutting back on consumption by commercial and industrial customers.

Since 2013 I have also acted as an independent consultant providing advice to equity investors, lenders and governments. Much of my work has related to renewable energy.

## **Next Steps**

Whilst the scale of the natural monopolies in Northern Ireland compared to the one in Sark differ materially, the same underlying principles of best practice regulation apply.

I am grateful to my predecessor, Dr. Tony White, for the work that he has done over the past 5 years in establishing the Office of the Commissioner and in developing a framework for best practice regulation. With my background in regulation, I fully recognise the start-up challenges that he faced and the enormity of what he has achieved.

On 26<sup>th</sup> October 2022, the then Commissioner formally determined that the prices SEL charged at that time were neither fair nor reasonable. The standard tariff at that time was 65 p/kwh.

According to Section 15(1) of the Control of Electricity Prices (Sark) Law, 2016 ("the 2016 Law"), the Office of the Commissioner may now make a price control order ("PCO"). However, before making a price control order, I must formally consult with the regulated electricity supplier and I may consult with others.

Today the standard tariff published on the SEL website remains at 65 p/kwh and fuel prices have fallen since the formal determination on 26<sup>th</sup> October 2016. I still have some material to review and by the end of next week I intend to decide if I will proceed to a consultation on a PCO.

In the meantime, please do not hesitate to contact me if you have any questions at [commissioner@epc.sark.gg](mailto:commissioner@epc.sark.gg).

Shane Lynch

Commissioner