



Office of the Sark Electricity Price Control Commissioner

SUMMARY OF VARIATION TO THE PRICE CONTROL ORDER

FOR PRICES CHARGED BY SARK ELECTRICITY LIMITED (“SEL”)

FOR THE PERIOD

01ST April 2023 – 31 March 2025

Variation to take effect from 01st November 2024.

Shane Lynch

Electricity Price Control Commissioner

01st November 2024

1.0: INTRODUCTION

On the 3rd of September 2024, I published a consultation paper on a variation request to the existing Price Control Order (“PCO”) from Sark Electricity Limited (“SEL”). I received three written responses to this consultation from SEL and 26 responses from electricity consumers in Sark. I wish to thank all respondents for their very valuable contributions.

I have now made a formal variation to the PCO effective from 01st November 2024. Further details of this variation, together with the responses to the consultation, can be found on my office website (epc.sark.gg).

There were five aspects to SEL’s variation request. Each of these are set out in summary form below together with my decision.

I then set out the price impact of this variation and next steps.

2.0: THE VARIATION DECISIONS

2.1: Treatment of Inflation

SEL requested that the annual allowance for fixed operating costs and its return on investment take account of inflation.

I have decided to increase the allowance for fixed operating costs by 5.8%, backdated to the 1st of April 2024.

I have also decided that, from the 1st of November 2024, SEL will receive a nominal rate of return of 7.73% on its Regulatory Asset Value (“RAV”), and that the Regulatory Asset Base (“RAB”) will no longer be inflated going forward.

2.2: New Capital Expenditure

SEL requested that capital expenditure proposals of up to £573,898 were expressly approved or expressly disapproved and paid for by my consumers over the next two years.

I have already approved £36,472 of this request. I have decided to approve project management costs of £31,250. Urgent asset replacements which SEL wishes to commence in the last five months of this price control will be considered for immediate approval.

2.3: Decommissioning Provision

SEL requested that a provision of £980,370 is accumulated over the next two years, and paid for by consumers, for decommissioning of its equipment and re-instatement of the island after it ceases to operate.

I have decided not to allow for any additional provision at this time.

2.4: Accelerated Recovery of The Regulatory Asset Value (“RAV”)

SEL requested that it is allowed to recover from consumers its outstanding RAV over the next two years.

I have decided to adjust the RAV for acquisition assets to £427,922 (on 1st November 2024), to reflect the actual acquisition cost in March 2020, and to allow SEL to recover this from consumers over the next six years. I have also decided that the RAV for new assets, valued at £32,253 (on 1st November 2024), will continue to be recovered over three years.

2.5: Legal Costs

SEL requested that the allowance for legal costs should be increased to include its reasonable legal costs of addressing the legalities of the current situation. SEL also requested that an “*agreed percentage figure*” of £315,156 historical legal costs should be recovered from consumers over the next two years.

I have decided not to increase the fixed allowance for legal costs, but to consider proposals made by SEL on a case-by-case basis for additional allowances. I have decided not to allow the recovery of historical legal costs.

3.0: IMPACT ON PRICES

The table below sets out the current and revised maximum unit price that SEL is allowed to charge under the existing PCO, which ends on the 31st of March 2025. The revised maximum unit price takes effect from the 1st of November 2024.

Current Maximum Unit Price	Revised Maximum Unit Price
54 p/kwh	56 p/kwh

It is important to note that the above revised maximum unit price could increase further for approval of additional capital expenditure or legal costs. The maximum unit price may also be adjusted monthly for changes in fuel prices or consumption.

The modelling forecasts that prices should remain at similar levels for the next few years. However, the model does not take account of any change in circumstance that may have an impact on prices.

4.0: NEXT STEPS

SEL may appeal this decision to the Court of the Seneschal up until the 28th of November 2024 (or a later date if the Court permits). In any case, the existing PCO is no longer valid after the 31st of March 2025.