



# Sark Electricity Ltd

The Power Station

Harbour Hill

Sark

Channel Islands

GY10 1SB

Residents of Sark

26<sup>th</sup> October 2022

## Today's announcement by The OPC dated 26<sup>th</sup> October 2022

Dear residents,

The OPC has today issued its '*preliminary conclusion*' that SEL's prices are neither fair nor reasonable. In ordinary circumstances, this would result in The OPC starting the process of issuing a price control order to set the maximum prices for the provision of Electricity on Sark.

However, due to the fact that Dr White will be leaving his office next month The OPC has invited SEL to reconsider its tariff and make adjustments to its customers accordingly. Dr White's successor will likely then review the situation and may consider the need to set price controls.

In making ***this*** determination, The OPC has continued to include island wide sales. It is only right, therefore, that SEL makes one specific observation in respect of the determination itself.

The principle disagreement between SEL and The OPC comes down to the inclusion of island wide sales or '*The Island Total*'. The inclusion of island wide sales dramatically skews our available revenue and pushes SEL into a negative operating position.

The OPC makes the point within his determination, and SEL is most grateful, that:

***".....If "own generators" decide to take advantage of these arrangements, whereby they can exchange power with SEL at fair prices, I believe it would be appropriate to adjust SEL's revenues according to the amount of electricity it sells over its system, rather than the Island total."***

Basing SEL's price ***on what it actually sells*** is a fundamental need for any business.

There is no-one on Sark that cannot be aware that Policy 26 was removed by me when I arrived in March 2020. Under my ownership of SEL, it has always been possible for own generators to exchange power with SEL at fair prices. SEL cannot, however, force an own generator to do so. The position stated by The OPC above has been in place since I arrived.

Customers such as Stocks Hotel, who have taken advantage of our network supply while generating their own power for personal consumption, have used all of their generated power with no spare capacity being available to release into the local supply. This is a commercial decision for them to make. SEL should not be penalised for this decision by Stocks Hotel which is entirely outside of its control.

Sark has residents who:

- Own generate and consume all of their power;
- Own generate and consume some, purchase some from SEL and release some to SEL;
- And some who own generate and release all of their power to SEL; purchasing every unit they consume.

Up until the Ukraine crises, SEL buy back rates have always been higher than the underlying FCC. A major incentive to own producers selling units back into the grid.

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SEL is delighted that The OPC has now formalised this position and that this reality should now feed into price determinations moving forward. This will have the effect of significantly reducing friction between The OPC & SEL.

In light of this policy adjustment, and a range of other matters touched on in the determination, SEL believes that it can indeed arrive at a price that a future OPC will find fair and reasonable. While the situation is unusual SEL welcomes this opportunity, to respond to The OPC observations in this manner and we will do so in the coming weeks.

Regards

Alan