



Letter to Residents of Sark

Dear Residents of Sark,

I have been asked by some electricity users in Sark to explain what the latest letter to them from SEL will mean to their bills and why it appears to contradict the Variation in places.

As Commissioner for Electricity Price Control, after an in-depth analysis, I have varied the 2019 Price Control Order so as to set a maximum price of 50p per kilowatt hour for 2021. This figure can be adjusted by my Office as and when necessary, to take into account changes in consumption and fuel prices as against my forecasts. This was set out in my recent Variation to the 2019 Price Control Order. I also agreed that it is fair and reasonable that all households and businesses connected to the grid should contribute to the power system by paying a charge of £40 per month.

If SEL makes a business decision to offer a tiered tariff system for high energy users which means they pay a lower price for their power, the company is free to do so. However, SEL may not try to recoup any loss by raising the basic unit price for smaller usage customers.

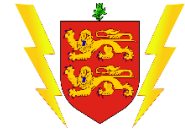
Any shortfall in the £5,000 per month revenue forecast from the £40 monthly payments, arising from dispensations allowed by SEL, will be paid by all of SEL's customers under the adjustment mechanism to the Variation. The unit price will rise as a result of these dispensations. I believe that a fairer option, as described in the Variation, would have allowed the "seasonal" businesses to reschedule their payments to SEL.

In various formal documents available on my Office's web-site over the past two years, I have made clear that, like most businesses, SEL's investments in its company must be financed through its own reserves, by shareholders or by borrowing on the open market. I am also resolved that SEL cannot expect unreasonable legal costs to be picked up by its customers through higher bills. In other words, SEL must take responsibility for its own management decisions.

In setting the electricity price control parameters, I am aware of the need for security of electricity supply in Sark. This means that SEL should of course receive a fair and reasonable return for its business to remain viable. This is in everyone's interest and the entitlement of SEL to receive a reasonable return on its assets is something that is recognised under the Control of Electricity Prices Law.

I am aware of errors in SEL's reported operating and financial data which have been presented in the company's latest letter to you in a negative manner. My preference is to deal with these issues in detail directly with SEL.

Of course, I welcome SEL's decision to make special provision for those islanders who are or may find themselves in energy poverty. I am acutely aware that this is a significant issue in Sark as a



result of the one to one sessions I have held on the island and responses to the proposed variations.

I look forward to receiving details of SEL's suggested buy-back and feed-in tariffs. These will, I hope, discourage "own generators" from disconnecting from SEL's system. Above all, I welcome SEL's stated commitment to Sark's customers in particular, and to the island's economic and environmental sustainability in the future.

My Office looks forward to working with the company this year in order to achieve these goals.

Anthony White

Commissioner

5th February 2021