

Regulator set to impose cuts in electricity bills

FURTHER cuts in domestic electricity bills will be foreshadowed today in a new set of price control proposals from Callum McCarthy, the industry regulator.

Provisional suggestions for prices covering electricity distribution could pave the way for reductions of between 2pc and 4pc, according to estimates made by analysts yesterday. Regional electricity companies are braced for a tough set of proposals in what will be the opening shot in a battle over controls covering a key part of their business. Distribution charges account for about 30pc of domestic electricity bills. The discussion document follows proposals from Mr McCarthy to separate the distribution and supply businesses of the regional companies and setbacks in planned reforms to trading.

Mr McCarthy said that the separation of the businesses would make the electricity market more competitive and protect customers, but companies claimed that he had softened earlier, more radical proposals made by his predecessor, Stephen Littlechild. Complete separation of the two wings of the business was proposed by Mr Littlechild. Mr McCarthy has stopped short of a complete

break-up and is willing to settle for operational separation.

The Electricity Association, the industry's trade body, welcomed the decision but criticised his "prescriptive" approach to the issue, while analysts said the companies themselves were heading off the problem. A number of companies are involved in discussions to sell their supply businesses to increase their market power as competition accelerates the drive towards restructuring.

National Power has already bought Midlands Electricity's supply operations, British Energy is in talks with a number of other companies, while French-owned London Electricity has made approaches to American-owned Seaboard. Mr McCarthy also confirmed that he wanted to break the metering and meter reading monopoly held by distribution companies.

The announcement that electricity trading reforms planned to start in April will be delayed until autumn 2000 came at a London seminar. The reforms are aimed at cutting the power of generators and producing more competition. Legislation will be needed but a Bill will have to wait until the next Parliamentary session.

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Regulator warns electricity firms

A NEW attempt to keep the lid on electricity prices was made yesterday by Callum McCarthy, the industry regulator.

He told the operators of the Electricity Pool, the industry's wholesale market, and the electricity generators that he is ready to introduce a simpler bidding structure if there are continued signs of price manipulation. Mr McCarthy made clear he will not wait for the introduction of planned major reforms of the pool next year and will scrap the present three-stage bidding structure with a single-price system to reduce the risk of price rigging.

Price surges have led to Mr McCarthy accusing the biggest generators, National Power, PowerGen and Eastern, of "gaming" in the pool by manipulating prices for their benefit. Since his intervention on March 18, the number of price "spikes" has fallen sharply, from 343 between January 1 and March 17 to just 14 over the past six weeks, while the Electricity Pool's executive committee has introduced changes to reduce the risk of manipulation.

Mr McCarthy said yesterday he remains concerned that the pool's initiatives alone may not resolve the problem. Pool rules are so complex that he feels there could be continued breaches and has asked for a monthly analysis of the generators' behaviour.

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