

Received by email on 09/08/2024

Dear JCRA

I submit this response as a private individual and retail customer of JEC.

### **The role of JEC**

1. JEC is caught in a fundamental conflict of interest between, on the one hand, the broader environmental issues of reducing electricity consumption and making the electricity consumed more environmentally friendly, and on the other hand, its responsibilities to its shareholders to maximise return.

2. Within the latter, there is another fundamental conflict of interest: the States of Jersey owns 62%. The primary interest of the SoJ is to protect the interests of the island and its residents, and as such should be looking to JEC to

- maintain security of supply
- support the SoJ strategy on its decarbonisation of the island
- maximise its productivity and efficiency
- make sufficient profits for long term viability but no more

This is in stark contrast to the interests of the 38% shareholders who want the maximum return on their investment, and growth in the profits of JEC.

It also creates a significant variation to the U.K. where private equity investors or EDF now own much of the industry after privatisation. As such comparisons with the U.K. are limited in relevance.

3. JEC should be encouraging and facilitating the move to reducing dependency on imported electricity, and working hand in hand with the government to do so. Far too much emphasis is currently on electric cars, and the roll out of car charging points. There should be a much increased emphasis on the roll out of on-roof solar, and JEC and SoJ should be working to make this more financially attractive to homeowners and commercial property developers.

It is clear that JEC benefits from cars switching from oil based fuel to electricity through increased sales, but loses from the decentralisation of generation on island.

This conflict of interest within JEC means that it is incentivised to migrate the island from oil based transportation and heating to electricity, when in fact it should be incentivised to increase the efficiency of the use of electricity through insulation and private domestic production of electricity through solar and wind, and reduce the proportion of electricity that is imported.

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Current plans for a wind farm and a solar farm would tackle this, but island-wide implementation of domestic solar and wind on a shared cost basis would be a dramatically more cost efficient first step.

The market study should identify ways to better manage this conflict for the benefit of the island, by creating more incentives for the reduction in the proportion of electricity that will be imported, to offset the increase in electricity consumption caused by the transition to electricity from oil for transportation and heating.

### **Inflation indexing**

1. The indexing measure used in assessing the market should be RPI(x) rather than RPI as Jersey RPI includes an element of mortgage cost inflation, which was a statistical anomaly in 2022 and 2023, as a result of the spike in interest rates after the Truss mini budget and the Ukraine war. The global economy uses a standard measure of CPI for measuring inflation, which does not include the effect of mortgages. It is also notable that U.K. inflation including the housing cost CPIH, which DOES include housing costs, was significantly lower than Jersey RPI during this period, despite on the face of it being subject to the same interest rate spikes...more evidence that Jersey RPI is a statistical anomaly and not suitable to be used for indexing JEC results and pricing.

### **JEC Costs and prices**

1. The rate of increase in costs and headcount is ringing alarm bells ...given the fixed nature of the costs of buying in electricity, subject only to the £/€ exchange rate fluctuations, JEC should not be increasing its headcount at the rate it is, nor expecting RPI matching increases in its revenues.

I confirm I am happy for this response to be published, but request that it be anonymous.

Regards