



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

**RECORTYS OIKOIL
BING VEAYN TINVAAL**

**PROCEEDINGS
DAALTYN**

**ECONOMIC
POLICY REVIEW COMMITTEE**

Manx Gas

HANSARD

Douglas, Friday, 18th March 2022

PP2022/0045

EPRC-MG No. 1/21-22

All published Official Reports can be found on the Tynwald website:

www.tynwald.org.im/business/hansard

*Published by the Office of the Clerk of Tynwald, Legislative Buildings,
Finch Road, Douglas, Isle of Man, IM1 3PW. © High Court of Tynwald, 2022*

Members Present:

Chair: Mrs C S B Christian MHK
Mr J R Moorhouse MHK
Mr J C Wannenburgh MHK

Clerk:

Mr J D C King

Assistant Clerk:

Mr C E Phillips

Contents

Procedural.....	3
EVIDENCE OF Mr Chris Thomas, MHK	3
<i>The Committee sat in private at 3.18 p.m.</i>	20

Standing Committee of Tynwald on Economic Policy Review

Manx Gas

*The Committee sat in public at 2.06 p.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MRS CHRISTIAN *in the Chair*]

Procedural

The Chair (Mrs Christian): Good afternoon and welcome to this public meeting of the Economic Policy Review Committee. I am Claire Christian MHK, Member for Douglas South and I chair the Committee; with me are Mr John Wannenburg MHK and Mr Jason Moorhouse MHK.

5 Could we please all ensure that our mobile phones are turned on silent, or off, so we do not have any interruptions; and for the purposes of *Hansard*, I will be ensuring that we do not have two people speaking at once.

EVIDENCE OF Mr Chris Thomas, MHK

Q1. The Chair: Mr Thomas, thank you for coming to speak to the Committee today. Our session is going to cover gas, regulation, customer rebates and related matters. Due to diary commitments we will be completing the hearing at 3.30 p.m. and should you feel that there is something or
10 anything you wish to tell us please do so in writing afterwards. Thank you.

Mr Thomas, you are being asked questions today as the second Chair of the former Chief Minister's Gas Regulatory Review Committee, and as a Member who has moved regulations and amendments in this area. In the previous administration, you chaired the former Chief Minister's Gas Regulatory Review Committee reporting back in February 2019. Could you expand on that
15 body, its remit and its findings?

Mr Thomas: Thank you very much, Chair, for the invitation and also for this opportunity to help the public interest develop – gas supply, gas regulation, gas pricing – because this is a very important matter and it still remains important, as it was when the Gas Regulatory Review Committee was set up.
20

At the beginning of the 2016 Government, when I was invited to be Minister for Policy and Reform, there were two actions put into the Responsible Government part of the Programme for Government. One of those was a Competition Bill and a new approach to economic regulation, a new approach to regulation, firstly; and secondly, there was an overall review of regulation. They
25 are two very distinct actions. Both of those were associated with my name, one of them explicitly mentioning my name. That piece of work started. The Chief Minister became very concerned about his belief that Manx Telecom and Manx Gas, in particular, were making excessive profits. So initially he decided to set up a personal Gas Regulatory Review Committee, which he asked

30 David Ashford to chair; Members were Mrs Corlett and Mr Hooper. When Mr Ashford was promoted to Health Minister, from the back benches, I offered to take over the chairmanship of that Committee because, to be frank, I had been quite disappointed that Committee had been set up, because I already believed that the main thrust should be a proper review of regulatory approach to both competition and to a situation where we needed economic regulation when competition can no longer work.

35 That Committee met, an incredibly useful report, and I stand by every one of the recommendations and the conclusions. The conclusions are very important. Today might well be an opportunity to clarify some misunderstandings that have developed about some of those conclusions and recommendations.

40 If I might, just making a few ... I do not think you want me to go through the recommendations and conclusions now, in oral submission, because I am sure I can take those as read and we can discuss each of them individually. But the one point I would make is that your Assistant Clerk today was the secretary for that Committee, and great work we made, and I would thank Carlos for that because it was an incredibly difficult Committee to be secretary of at that point. You have got a difficult job, and my most important objective coming here today is to accept your kind invitation to help you subsequently with written submissions, to help you understand further, perhaps, what I meant to say or what I did say, and giving you references to things I might mention or forget to mention. And, building on Mr Phillips' previous expertise, I think we can work on that together.

45 Finally, in these opening remarks, what I would say is that I believe the crucial moment in that Committee's work and, in fact, in the evolution of proper economic regulation – particularly for utilities and the energy sector – was in my office, when I was working with just one civil servant and we were considering the submissions from consultants to carry out the piece of work that is published in the final report, the National Economic Research Associates (NERA) Report. Because NERA did not win in terms of *price* – in that submission they came second – but the officer allowed us to really get involved in the two submissions. I was honoured to be there, because politicians are not normally involved in procurement processes.

50 But NERA had absolutely gone to the wire and investigated exactly what it was we needed, and had already practically helped us understand the questions we needed to be engaging them to answer in the Report. In other words, they went into experience all around the United Kingdom. Whereas the person who came first in terms of price had just basically said whatever we had asked for in the terms of reference they were going to do – which I always find very disappointing, as a person who is involved in the procurement process. I do think that the NERA Report is absolutely fundamental in changing the way we regulate gas. I do think that it takes us forward to having better utilities regulation and fairer pricing for consumers, and better operations for suppliers into utilities markets.

65 **Q2. The Chair:** Thank you.

Could you just clarify, just going back to the question: what was the Review Committee's remit? What was your actual overall remit to do? Do you remember?

70 **Mr Thomas:** Yes.

The Chief Minister commissioned the Committee to review the current agreement between Manx Gas Limited and the Office of Fair Trading, Treasury and Department for Environment Food and Agriculture and consider the following questions:

- a. Whether the current regulatory agreement offers a good deal for consumers?
- b. What alternatives to the current regulatory agreement there might be?
- c. Whether the profits made by Manx Gas are fair?
- d. Comparisons to other, similar jurisdictions?

Q3. The Chair: Thank you.

One of the aims of the Committee was seemingly to reduce prices, as you just mentioned, for customers. However, in 2022 the energy landscape is very different. Is that aim still a realistic one?

75 **Mr Thomas:** Reducing prices was not mentioned as such in those terms of reference, but your question goes right to the heart of a very important issue I want to address. What it said was whether the current regulatory agreement offers a *good deal* for consumers. The issue was that more or less since 2007, we have had a *bad deal* for gas consumers because of bad regulatory practices; and now the price of gas is very high compared to what it used to be, but it would be
80 even higher if we had not been able to improve the regulations. That is how people should see it.

The percentage of the wholesale gas price contained inside the retail gas price depends on the wholesale gas price, if you see what I mean, because fixed costs are fixed by definition. But at the time, when we were doing the report, about 50% of the final end consumer retail gas price was comprised of the wholesale gas price. It would obviously be much higher now, given the huge
85 increase in the gas prices. So towards the beginning of 2020 – when I knew the end game was in sight and we would end up with better regulation – at that point, in my own mind, my job had become explaining to the gas consumers, the people of the Isle of Man, that they were not going to get the massive reductions in price that some people were talking about. The delivery of natural gas to the Isle of Man makes it more expensive here than it would be in an urban area in the
90 United Kingdom or in Russia, where the gas is coming from and so on.

Q4. The Chair: Why is it more expensive?

Mr Thomas: Because we have to pay the costs of the pipelines and other infrastructure costs; and secondly, we have got a tiny market relative to any other gas supplier in the British Isles – so
95 you have to spread the overheads over a smaller number of people. Those are the two main reasons. There is a third one, which was that we had bad regulation that was leading to an excessive mark-up towards the customers.

Just to be clear at this point one thing the NERA Report said, that people have not focused on so much, is that people have focused on the fact that the bad 2015 Gas Agreement guaranteed a
100 return of 10% – or 9.99%. Although they always call it a cap, it is actually a guarantee of 9.99%. In actual fact during that period, as NERA showed, if we would have used international best practice for specifying the costs on which the return on capital employed could be made – systematically, probably from 2007, but certainly in the period NERA was looking at – Manx Gas was actually
105 making 13% or 14% per annum, not just 10%. So there was a lot of meat that could be chopped off inside that element, although it is tiny compared to the fact that it is more expensive to supply a small island through expensive infrastructure.

Q5. The Chair: Thank you. Just to clarify, the infrastructure is supplied by the MUA?

110 **Mr Thomas:** They are one of the parties, but basically the natural gas supply in the Isle of Man goes back 20 years and essentially we tapped in to the Irish gas board pipeline, which Manx Utilities, as you say, manages the relationship with. But the gas came to the Isle of Man to supply the new Pulrose power station and at that time an arrangement was made whereby Manx Gas
115 would manage the relationship with the Irish gas board to bring gas to the Island. Then, subsequently, 10 years ago, 2011-12, when there was a decision made to take natural gas around the Island to a greater extent with the on-Island network extension, again, Government decided to ask Manx Utilities to manage that process. Finally, Manx Utilities also is the purchaser of gas for Manx Gas on a pass-through basis continuously.

120 There is a really excellent – (*Interjection by the Clerk*) Sorry, Clerk, there is a really excellent appendix in the Chief Minister's Gas Regulatory Committee Report, Annex 3, which goes through a summary of all of these issues and the finances involved, with pictures and maps and so on, and I really commend that to the Committee as a starting point to understand it. Where credit is

125 due, I worked on that with Manx Utilities' officers because they are right at the heart of supplying
wholesale gas into the retail gas regulator, so I really commend that you look at an early stage at
Annex 3 of that report.

Q6. The Clerk: Sorry, I was only going to say: I think, Mr Thomas, you are going through all the
130 things which Manx Utilities Authority was in charge of, in that answer. I think you said Manx Gas
handled the relationship with Bord Gáis Éireann –?

Mr Thomas: No, I meant to say Manx Utilities, apologies if that is the case.

The Clerk: Yes, thank you.

135
Mr Thomas: That is quite important, because it is not Government, it is actually Manx Gas who
go along to the meetings from time to time and arrange ... So, for instance, that came out in a very
important answer that the Chair of Manx Utilities gave me just before the General Election,
because some of the facts that have come to be seen as facts inside the climate change debate –
140 the Impact Report and some of the appendices to it – are not quite as much facts as they are
presented in those reports. They are just issues for discussion. So the life that is left in the gas
pipeline is something that still needs to be worked out especially, even if it was mixed with
hydrogen, the life of the gas turbines is something that still needs to be worked out by technical
people.

145 I think that is a very important point for the Committee to know which is, although Manx
Utilities are very much involved with Government, we need technical input from these and we are
much more likely to get it in the Island from technical people at Manx Utilities than we are
anywhere else on the Island, and they also have the experience. I have always found them
150 incredibly helpful in the finance department and the technical department and the market trading
department, to actually understand what is going on. I commend to the Committee that is my
experience.

Q7. The Chair: Thank you.

155 How would you describe the interaction between Government and Manx Gas, both in the past
and more recently?

Mr Thomas: Oh, what a huge question!

Q8. The Chair: Let's start with in the past, then.

160
Mr Thomas: With Manx Gas. So even in my time being involved in gas and gas regulation, there
have been four managing directors whom I have got to know to a greater or a lesser extent; and
behind Manx Gas you have what is now called Islands Energy Group, and what used to be called
International Energy Group; and behind Islands Energy Group you have got now, since 2016,
165 Ancala Partners; and, before that, Brookfield Partners.

It is a huge question because: what do you mean? I think it is quite helpful for you as a
Committee to get inside the relationships with all of those different people. Let's start with the
background, whether it be Brookfield or Ancala who are the 100% owners of Manx Gas, there are
no politicians who have shares, there are no other companies on the Isle of Man that have shares.
170 It is a 100%-owned company now, a strategic medium-sized infrastructure investor.

You have got to get inside the heads of what they are thinking about. They bought the company
in 2016 on the basis that the previous owners had just negotiated a 10% guaranteed return, and
that exactly fits their portfolio of pension fund investors. In fact, they would have known it was
13% or 14%, because they would have been better at reading the accounts. They would also have
175 known that they are getting a much higher return here than they were across, because at that

time, as NERA showed us, across, that sort of investment would have only been yielding them 7% or so. That was a crucial part of NERA's evidence.

180 I do not think politicians have ever understood that, and that is serious because now, with the situation we are in with climate change, for instance, but many other areas of Manx society and the economy, we have got to get inside the heads of those people to understand their needs and we have to treat them right and treat them properly, otherwise we are not going to get the institutional investment in whatever we do – whether it be offshore wind turbines, or whether it be huge biomass investors, or whether it just be more conventional facilities. We have to work with those private investors because the Isle of Man has got lots of reserves. It is a precious
185 resource that we have got, but it has not got enough. It has been our culture and our tradition to work with private investors and we cannot come across as amateurish, shambolic, changing our minds. I do think, to an extent, sadly, we have got a bit of repairing some damage that has been done in recent years.

Beyond that, locally, I would say that ... again, keep that idea that you have got to understand
190 the other person's interests and also that, ultimately, you do not have friends really in politics and business, you just have mutual interests. You do deals and you make arrangements that work for both people. I think sometimes Manx politicians forget that. I think if you are just dealing locally, you can go out and tell somebody they are going to do something because you have got the power, but you cannot go and tell Manx Gas what to do, you cannot shout at them and point the
195 finger at them and say 'You *are* going to do this!' Because they know they have got big investors behind them and they can go into legal action and they have got financial resources.

So, in summary, they are neither bad nor good, the local managing directors. They ultimately have been working for people outside that either we do not need, or we do need – it is my proposition that we do need them; and they have been doing what they *can* do, inside the
200 arrangements. Whose fault is it that we have got a bad arrangement? Well, ultimately, we have to share the blame that we have had bad arrangements since 2007. That is my position.

When I started, the first one, his job was to continue a bad arrangement because it was incredibly profitable and he was being paid a much larger bonus every year, I am sure, than the next one, who got a slightly worse deal. And I said to you, a crucial moment was appointing that
205 NERA Report and when I look back at my role in this – and I did say in Tynwald on Tuesday, I thanked everybody because my first ever Question in Tynwald was about economic regulation of gas, back in June 2013. Beyond that, I am quite proud of myself. That is a really bad habit to have hubris and to be proud, but I do have the respect, I believe, of Ancala and Manx Gas, they still talk to me, even though now they are looking at a return of 5.45% and they used to have 13%
210 or 14%.

Ultimately, when you are negotiating with these sorts of people, you need somebody who understands their interests, because you do a deal when their interests are served and your interests are served, and it is a general perception it is fair. It is a bit like going out on a general
215 election, ultimately people will still vote for you, even if you voted against what they believe, as long as they understand that you understand that you have tried to balance everybody's interests.

Q9. The Chair: You described an interaction there that you felt there was some finger-pointing and people trying to ... Is that Government that was doing that –?

220 **Mr Thomas:** Usually politicians. The civil servants in the Isle of Man in certain moments come under the direction of key politicians and I cannot deny I said it, I said that on *Hansard* back in that very tense debate about gas regulation in June 2020. I did say that Howard Quayle had an inappropriate shouty, loud, finger-pointing negotiating style, because I actually witnessed one
225 time him doing that approach to the Managing Director of Manx Gas. To me, you are never going to get anywhere if you negotiate on that basis, unless you are negotiating with somebody who has got no power relative to you. If you are negotiating to get a deal that works for both parties,

you have got to understand the other person's interest, respect the other person's interest and work out an accommodation that suits your interests.

230 As we are politicians, we have got to make sure it works for the Manx people, for the Manx consumer. If the Manx people and the Manx consumer need large investment – which I believe we do – we have got to also respect large foreign investors. We cannot just imagine we can do it all ourselves from public resources and so on. For technical reasons, for financial reasons it is my view, on the Island of 85,000 people, we are going to need to have the respect from large institutional investors, particularly in infrastructure at the moment, when we are looking at 235 offshore wind farms and we are looking at onshore wind farms; when we are looking at transforming the way that we generate electricity and so on. However we do it.

Q10. The Chair: So in your eyes, it is extremely important now, in terms of the climate change debate, to have a very different approach to these businesses?

240 **Mr Thomas:** I think we need to. Yes.

I think, to be fair to civil servants, they get very frustrated sometimes with politicians as well on those sorts of lines.

245 **Q11. The Chair:** Thank you.

During your former tenure as past Minister for Policy and Reform, the senior management of Manx Gas changed more than once – you have also described this. Did these personnel changes impede the discussions, do you feel?

250 **Mr Thomas:** I think in each case it was probably an improvement, and each person reflected what the owners of the company needed at that point. Even though I have got a degree of privilege in here, I am not going to get into assessing their merits, because I have got no idea how good they were as managers. But the current director of Islands Energy Group now has a vision in the new world. Clearly when they are presented to us, as Tynwald Members, and to the Manx public through things like appearances on *Mannin Line*, and the like, what they are now saying is 255 they have accepted that gas is a regulated business, and they are now presenting themselves as a new type of company that is looking to get into smarter energy consumption, and into people's households to help them manage their energy use and so on. So it is a different presentation.

I think the last guy seemed to me to be getting the most out of a bad situation, negotiating really hard. I think the one before that, he was the one I worked with most closely, because that is when I was in Government and it was my job to go and see him, and I used my style of occasionally doing all sorts of ways of communicating and so on. I found him very helpful during the process of the thing. Before that, well, I hardly got to know Mr Nicholls, who was the one who signed the 2015 Agreement, but by popular reputation he was very different from the ones I got 265 to know more closely.

Q12. The Chair: Thank you, Mr Thomas.

This Tuesday, on 15th March in Tynwald, you said that the Gas Regulation Amendment Act had fulfilled a lifelong dream. What exactly did you mean by that?

270 **Mr Thomas:** Did I actually say 'lifelong'? Did I say lifelong, or did I just say 'a dream'?

The Chair: A dream, maybe! It seems lifelong ...

275 **Mr Thomas:** I have dreamt about a hell of a lot more important things than gas regulation in the Isle of Man! But it was a political campaign of mine and the Committee should remember that I came to the Isle of Man in August 2000 to set up the Masters in Financial Services Regulation, having set it up in the mid-1990s in London teaching primarily financial services regulation, but at

280 that time bringing in the approaches that we used in utilities and other regulation. So this is my area in which I have had practical experience, also academic experience. Coincidentally, in the mid-1990s, when the Fair Trading Act was going through that regulates the entity that Mr Wannenburg chairs, the Office of Fair Trading, there was actually at the same time a parallel Bill on monopolies and mergers that never got anywhere. It just petered out. But it was necessary in 1996 and it has been necessary ever since.

285 So what I meant by that was, once I had a chance to try to do something about it, I actually went into Tynwald and Keys with a plan for what my first Questions were going to be. I have always said that to people, you make progress in public policy change by asking Questions, by taking motions, by getting into Government. Perhaps I am in a third stage of my political career by being the scrutineer – or seeing myself as that.

290 So, in other words, my first Question in Tynwald was about economic regulation of gas because it had been in the Government programme, but I knew it was going nowhere. Ever since then, with the Programme for Government in 2016, with Questions before 2016 – and then once I got fired from being Minister for Policy and Reform – with motions, I think four after June 2020 ... I was trying to achieve the conclusions and the recommendations in the committee report and also the recommendations that were in the regulatory review report that I had to challenge
295 Government to get published in 2020-21.

Q13. The Chair: Thank you.

300 In 2019, the Chief Minister's Gas Report concluded that previous arrangements were insufficient. How did we let customers down so badly between 2013 and 2022?

Mr Thomas: A bad agreement. But because I resigned over the agreement, I have got form, so I can say that. I was Vice-Chair of the Office of Fair Trading. I did everything I could as Vice-Chair of the Office of Fair Trading to get a good agreement, because the Office of Fair Trading was not
305 leading it, Treasury was leading the development of it with Council of Ministers. Once, we were sent it to sign, in April 2015, for it to come into force in January 2015. I told the board I was resigning. The board and the management asked me not to announce my resignation at that time – which I had decided to do – because it was in place and it would have brought attention at that time. So I did not announce my resignation until August when the then Chair of the Office of Fair Trading just went AWOL for about two or three weeks. But once all the fuss kicked off about the standing charges element of the regulation, which were not ...

310 I actually went on and gave commentary to the media about what had happened and by that I could say 'This is what I believe.' I explained what the Office of Fair Trading had done, what they had agreed to, and then I explained why I disagreed with it and why I had resigned.

315 Okay, so to answer your question, (1) it is a bad agreement. So then we have to ask: why is it a bad agreement? I think it is because we did not ever take the advice that we got from somebody like NERA at the time when we were doing it. We actually had advice from a company called Oxera – and one thing that you might want to get hold of, because it had never been published, is the 2011 Oxera Report. I have asked for it to be published but it was not, because at the time it was said that there was commercial information in it. But to me, commercial information 11 years
320 ago is no longer really very exciting or useful commercial information, so I think it would be good for you to get hold of what Oxera recommended in 2011.

325 So, a bad agreement, which could have been better, which leads on to the other things, which are essentially a bad agreement was administered by people who were doing it from the side of their desks, and it was not their main area and so on. I am not *blaming* anybody, I have always defended all of the professionals involved, and I still am. It is just that this is a pretty specialist business; keeping track of an institutional specialist investor is a pretty difficult business. So, for instance, the 2015 Agreement could have worked because, ultimately, OFT or the other two parties from Government could have at any time gone into arbitration, and if they did not like the
330 result of arbitration, they could have ended the Agreement. But they never did. They always

335 basically, talked about being the gas regulator, but never actually did what they could have done under the Agreement. They could have negotiated changes or they could have ended the Agreement. So I think essentially the board, the staff, but mostly the politicians because they were creating the culture by which the board and staff did not really have to accept the responsibility of not actually using the powers that they could have done; but not even seeing that they needed to exercise the powers that they could have done through 2015, 2016, 2017, 2018.

So quarterly, annually, information was coming to the Office of Fair Trading. They had the right to share it with Treasury to get advice, and they did not spot that the intercompany loans and cash balances were being treated wrongly compared to international best practice, for instance.

340 **Q14. The Chair:** Thank you.

Moving a little bit now on to the topic of gas rebates. Could you advise: where did the commitment to provide a rebate come from, in your eyes?

345 **Mr Thomas:** In answer to your question, then, in June 2020 Tynwald clarified on 30th June in a Written Answer to a Question I asked in the House of Keys, to get it even more explicitly stated. If you want to go back to my speech, moving the motion I took on the Gas Regulation June 2020, the month after I was fired, and then 30th June Written Answer in *Hansard*, in the Keys, that is where the amount that was eventually paid was written down.

350 So essentially the Question on 30th June is most clear. Essentially I asked, 'If you did *this*, what would be the impact for consumers? If you did *that*, what would be the impact for consumers?' – and so on. I think it was six different examples, some of which we can still benefit consumers through using. One of those was, 'If you reduced the 6% interest rate that Treasury gets through the MUA to the Consolidated Loans Fund rate of 2% in the on-Island network extension, what is the impact?' The answer I got was £700,000 a year, £1.4 million. That has been on the record ever since.

355 To Minister Harmer's credit, probably Mr Hooper's credit and officers' as well – MUA officers' credit, I am sure, the MUA board – they took that forward as things began to break down. That is ultimately the source of the £1.4 million that has been paid to gas customers – what is being paid at the moment to some already, and which will be paid to the rest with their next bill as a rebate against gas usage.

360 **Q15. The Chair:** Was the rebate time specific, in your understanding?

365 **Mr Thomas:** That is solely one element of it. The larger part of the element, the one that was described as being £100 a year for 2020 and 2021, was offered by Government and Manx Gas as a sweetener to get politicians to agree to a voluntary agreement that I did not believe they would be able to enforce. I go back to it again: there is nothing wrong with voluntarily making an agreement with somebody, as long as you both understand and it is in both of your interests, as long as there are reasonable enforcement methods – and 'enforcement methods' means it is legally enforceable professionally, by professionals – and you have the appetite to enforce it from the regulatory point.

370 Essentially, I still have this problem: I do not exactly know who was giving Minister Harmer, Mr Hooper and the civil servants involved advice at that time, but if they were able to get over the fact and force Manx Gas to account properly for their costs and things, it might still have been workable, as long as it was enforceable, the deal.

375 Essentially, Manx Gas's position now is that £100 a year, rather than the £32 a year paid from Government; the rest of it was from them, which they were doing as a sort of reward, I guess, for a deal, or it could just be that they were doing it as payback for the fact that they made excessive profits in the past. You would have to ask them what their motivation was, and I am perhaps being cynical when I say it was a sweetener to continue the arrangements they had had since 2007, put in place in 2015 in the Gas Agreement, but you would have to ask them. Anyhow, their line now

385 is that they cannot pay it because they have a bad regulatory agreement. I think they are now
over that. I think they accept now that they have the regulatory agreement, but obviously there
is still discussion – we do not actually know what is going to happen next. I, you, everybody else
on the Committee and the Manx public have a lot of trust now in the Communications and Utilities
Regulatory Authority to put in place and to manage properly a new type of regulation.

390 **Q16. The Chair:** How do you feel we should go about getting the other half that you have
described there, the £100 gas rebate, from Manx Gas?

395 **Mr Thomas:** If I start from the bit that is hardest to get, it is my view that in 2015, 2016, 2017,
2018, before we gave notice, at the time value could have been achieved for customers if the
Agreement had been properly implemented by people who knew what they were doing and so
on.

If we move on now to the period after termination notice was given on the Agreement and
subsequent to the agreement coming to an end – and this was the source of lots of my questions
to make suggestions to the politicians and the officers who were directly involved, so I was trying
to lead them into doing the right thing – essentially, once we gave notice the Office of Fair Trading
could have done a price a review if the Council of Ministers had given them permission, but the
Office of Fair Trading’s line was ‘Cabinet Office are in charge of this and then Treasury and so on,
and we do cannot do this; Council of Ministers is doing something else.’ So they could have done
that legally, but they chose not to. In my view, there was a route there whereby in the six months
after notice had been given the Office of Fair Trading could have gone back and looked at some
of the accounting methods using the NERA approach. But I guess the Office of Fair Trading position
is realistic, which is that they are not the Council of Ministers, they are not the Cabinet Office and
they are not the Treasury, so if they were doing something else it was not for the Office of Fair
Trading to suggest under the legislation to do a review. So that would have been one source of
doing it.

410 Now it is just politics, social pressure, and I think it is really difficult. The easiest way to do it is
if Manx Gas decide to do it, and that will come from pressure from society, pressure from
politicians. There was a legal route once, there was an actor who could have taken action, but
those days are past, so now it is the right thing to do, and it is for you to ask Manx Gas whether
they are minded to do it and it is for you to ask the Gas Customer Working Group how much
feeling there is about this, or whether it is acceptable to move on and say they were really bad
days, they went on for years – decades – but now we have a better situation and we should be
focusing on something else.

420 **Q17. The Chair:** So obviously it was fair at one stage, or considered to be fair in 2020. Do you
think it is still fair today for customers to receive that rebate?

425 **Mr Thomas:** Well, it was promised, and that is why, I think it was in May 2021, I took the
petition that Mr Murphy presented to, I think, from memory, myself and the Treasury Minister,
to Tynwald with a motion calling for the rebate to be paid. So that is my position, that it is the
right thing to do.

Realistically speaking, I then paid all my attention, because I knew I could beat Treasury ... Once
I saw it in the Council of Ministers’ minutes – which only got published just after the Election – for
June or July 2020, which said the Council of Ministers had instructed Treasury to reduce the loan
from 6% to 2% on the £ 1.4 million, effectively, between January 2020 and December 2021, I knew
that was obtainable. I knew that money was obtainable because I had seen the Council of
Ministers’ instruction back in June/July 2020, in the minutes published after the Election in 2021,
so that is where I focused my attention. I focused my attention on getting into the head of the
Chief Minister, to say ‘I am going to take you apart if you do not actually fulfil your side of the

435 promise, because, as far as I can see, the Council of Ministers decided to do this and you have not done it, so you are in breach of your promise.'

The rest ultimately is: where is the money at Manx Gas? Is it in the Islands Energy Group? Is it back at Ancala? Is it even with the investors who have the investment in Ancala? That is for you to decide. I am just a backbencher now, exercising my energies and attention in different ways. To be frank, and I said this to Mr Murphy ... I am not 100% sure that we can get that; in fact, I am
440 quite doubtful that that will come, but I do feel that Mrs Cox should do everything she can to put pressure on the investors to pay it, and it would be the best thing they could do because it would show their intent. And so it all depends now whether we can keep their respect, get their respect, and persuade them that it is a good thing to do, the right thing to do.

445 **Q18. The Chair:** You talked about it being the right thing to do. Do you think it would gain consumer encouragement back in Manx Gas? Do you feel that that has been lost?

Mr Thomas: We have to be frank: they are good. They do get a lot of positive feedback in the sense that if people have a complaint about their gas boiler and they phone up, they have
450 immediate switchboard, and they get good answers to that about how they deal with customers – they were awarded for customer service at the Villa Marina in the exhibition there. So that is a good point.

Secondly, we are on a knife edge with Islands Energy Group and Ancala, I suggest. If we carry on treating them like some sort of animals that can be kicked around and so on, they just will not
455 bother with that sort of thing, they will walk. What they have always said to me really clearly – and I heard it, it is just that I do not think some other politicians heard it – since 2019 is 'Look, what is the Isle of Man going to do about climate change and how long has gas got a role inside the generation of electricity, heating homes and in the transition?' And they still do not know the answer to that. I organised a high-level phone conversation between senior officers and the senior
460 person at Ancala, and I chaired it. We made a bit of progress, but everybody sitting around this Committee knows that we still do not know the answers to those questions, and we are a hell of a lot more likely to get their respect and that sort of commitment from Ancala if we give them a clear answer in terms of what the future of gas is and what the transition is going to look like and what energy, and that is why ... Nobody understood what the hell I was talking about in the
465 Question I was asking about combined heat and power on Tuesday, but that is a massive thing for Ancala, Manx Gas and Islands Energy Group. The Hospital has electricity generation from a gas plant – is that going to carry on, or is that not going to carry on? It is in the list in the Electricity Act amendments. These are the sorts of questions it is only fair for investors to have clarity about and certainty about, and to understand that they are dealing with people who will not change
470 their minds and go backwards and forwards. That is one thing.

The second thing that really has troubled the senior people on the other side over three years is the whole attitude in the Isle of Man to fair competition, more particularly the role of the state when competing with private entities, and I laid that out really clearly – I think it was in April 2020–
475 in a Written Answer. Somebody must have asked me a Question and I wrote it out. I put down the concerns: is this fair competition; are we being treated equally to Manx Utilities, who ultimately can supply the public gas? They are not a retail gas supplier, but they are a public gas supplier under the legislation and they can use the infrastructure that you have shown already you understand is Manx Utilities' and Government's, so is there fair competition? It is an issue that is breaking us apart in the Isle of Man, not only in this area but also in terms of buses and taxis and
480 many other areas of public life.

If I just go back to it again, it came home to *them* – I am sure, because of some correspondence I had – and, I think, to more people during the tender that was organised for onshore electricity generation during wind, 30 MW ... How are we going to treat people? Is it Manx Utilities who are going to be in control of that, or are we genuinely saying that some of Manx Utilities' largest
485 customers now can generate electricity for themselves and for the network? We have to

understand that; we have to have an answer. You are not going to mess with the Isle of Man Government if they cannot even tell you a basic answer to that question and if they do not put it in law, and then they stick by the law and they act fairly inside the law and so on.

490 So we have two major questions and I could never get that through in Council of Ministers; they just thought it was Chris Thomas going off on one. They are two fundamental issues that we need to resolve: what is the climate change response and what is the transition, how long is it going to take, and what role does gas have and so on, firstly; and secondly, what is our view on public sector, private sector?

495 It has been going on in gas for 50 years. In the 1960s already it was a problem supplying gas in Port Erin, Port St Mary and Peel. It always seems to be a big problem down there and over there and so on. But anyway, it was a problem. The companies were losing money – Castletown as well – so I think in the 1960s the Government nationalised the gas companies in Castletown, Port Erin, Port St Mary and Peel. Eventually, they created a Water and Gas Authority that had those holdings, just after Mrs Thatcher came in and privatisation was the trend, but that apparently had nothing to do with; it was entirely a thing ... In Ramsey, Calor Gas purchased Ramsey Gas Company in, I think, 1984, and at that point they denationalised gas production. It might make sense for Manx Utilities to have more parts of gas, but we have to answer those basic questions ... but even more fundamentally we have to treat private investors fairly if they are actually being set up to compete against public sector people.

505

Q19. The Chair: Thank you, Mr Thomas, I appreciate you giving the future and the key issues that we face now in this area.

510 Just returning to the point of the rebate, you have stated that you feel it probably is unlikely that we will get the rebate from Manx Gas unless it is from political or from public pressure. Whose responsibility do you feel, politically, that is? Do you feel that comes from the Council of Ministers, that they should –?

515 **Mr Thomas:** Yes, I do think they hung on. My record is clear. When I drafted, with the Committee and Mr Phillips' advice and a lady called Sheila Lowe, who is the chief officer involved, whom I thanked in my own speeches a number of times ... When we drafted them, we said a voluntary agreement in compliance with international best practice. That was a clue. If you read the conclusion, it has to be international best practice. You do not ever have a voluntary agreement that you do not ever intend to look at and do anything about and query and so on. The clue is in the name: international best practice. Does anybody else do it like we did? Answer: no. 520 Therefore, we do not want the same one.

I blame politicians – Council of Ministers – who let me down when we were very close to a deal in 2019-20, but we had to be aggressive, we had to take it on, and then it became an anti-Chris-Thomas thing after my sacking in May 2020. It was quite blatantly a good idea. Eventually, people like you, Mrs Christian, saw sense – Mr Moorhouse saw sense – and started voting the right way, and eventually we started winning debates in Tynwald; but we hung on too long, trying to negotiate when it was blindingly obvious to me and the senior officer that Manx Gas were never voluntarily going to concede on things like cash and intercompany loans and so on.

530 **Q20. The Chair:** Is there anything more that you would like to add on the topic of rebates?

Mr Thomas: Have you got more questions on other things?

The Chair: I do.

535 **Mr Thomas:** No, just a thank you to the Gas Customers Working Group – as it is called now, but it has had various other names – particularly Mr Murphy, Mrs Wheeler, Nick ... I cannot remember his family name, and a few others along the way because basically they have really got

inside my head and inside other people who know their heads and explained it to themselves, to each other, to the public, and they have actually been instrumental in all of this. Ultimately, it was
540 people like NERA who did the technical analysis, it was politicians like me and a few others who took it forward politically, but any good public policy change process, any campaign that is successful, relies on the public coming with you – and they have played an absolutely vital role in understanding it and then explaining it clearly. A big thank you to Mr Murphy, Mrs Wheeler and all the rest of the people involved in that group.

545

Q21. The Chair: Thank you, Mr Thomas.

What can we expect the Communications and Utilities Regulatory Authority to do with gas regulation now?

550 **Mr Thomas:** Just do it. It must have been quite tricky for them, because I do remember nobbling, as I quite often do in the foyer of Tynwald during a sitting, the Chief Executive of CURA, saying, 'Are you up for this? You should be. You should go for it.' And then a few months later, it started becoming more official. They have taken on a huge expansion of responsibility moving from just communications into gas, and they know full well that if they do gas well they will get
555 other things as well, other utilities. That is bold, so we have just got to do what we did in Tynwald twice already since the Election – we have got to believe in them at this stage but oversee them, and if they are not looking after the interests of the people but also being fair to the infrastructure investors and the people operating the supply, we have got to pick them up on it.

We will have an annual report from the Communications and Utilities Regulatory Authority on gas regulation – in fact, it has just been laid on the Register of Business – and people like me and you in this Committee have to be all over that and make sure they are doing their job properly and professionally. We have to understand they are new to this and it is pretty tricky, so we have to make sure that they are following what is going on, and the regulators across and elsewhere. But we have not got to keep undermining them by petty little questions; we have got to trust
565 them until they prove to us they are not doing a politically satisfactory and a socially satisfactory job.

Q22. The Chair: You mentioned that you felt that CURA could regulate other suppliers or other utilities. Could you list who you would think that could extend to?
570

Mr Thomas: Back in 2011, 2012, 2013, when Government was planning it, it was calling it the Energy Economic Regulation Bill, so I imagine that although the answer has always been given that we do not need to regulate Manx Utilities in electricity and so on, as part of the settlement to make things completely fair and transparent between private operators and publicly owned
575 companies, I think that might be a useful area for us to consider in the public policy space, because just because we own somebody ... That is the issue. If we own somebody, we might loan them money on special terms, we might give them special access to markets, we might make technology decisions that favour the company that we own, and that is what the private investors will suspect us of, even if it is only their perception and their suspicion, not reality. So to me, I think it would
580 be a good idea to have a level playing field.

We have a tradition of light-touch regulation. I do not want you to think or people to report that I believe in complicated stuff like incentive-based regulation, like Mr Hooper does, and so on. I am talking about bog-standard, simple economic regulation, light touch, just looking at the basics and so on. I am not getting complicated about this; it is just bog standard.
585

If it does go into energy, that is good enough for them, but Manx Telecom is getting away with murder at the moment, so I do think my next approach is going to be in terms of telecommunications across the piece, because we have to have fair treatment. I do believe that CURA will be about to announce something in that space, because the simple fact is they have just said that Manx Gas can only get a profit of 5.45%, but it is public that Manx Telecom, on its

590 economically regulated monopoly, gets 8.9%, which is higher than 5.45%, so it is either justified that there is a premium or it is not justified.

And then, if we go beyond that, people tell me that everything is hunky-dory up at the Waste Plant, but the Waste Plant operators have new owners, more institutionally sophisticated owners, and I think that might be an area that somebody who knows what they are doing might need to
595 look at in the future.

I am Chair of the Post Office. It would be normal in most places to have economic regulation of something like the Post Office, because we do have a natural monopoly for part of our business and we would like it to be considered how that works and so on. So that might be another area where you do it.

600 Essentially, competition works best, according to people like us who live in this sort of place, where we believe in markets and so on, but if competition is not working, for whatever reason, and you end up with players having a dominant position, you need economic regulation in lieu of competition regulation. So we just need that as an ethos, and that is, I think, what CURA need to specialise in. They need to work with us in Tynwald, through the Council of Ministers, to actually
605 put in place the Competition Bill properly, proper economic regulation, so that we have criteria that can be used across the piece, not just in here, so that we know where we have to develop legislation and procedures and process.

If you want me to complete that idea, economic regulation needs to then be seen alongside the Office of Fair Trading's role, which is vital in all of this, because the Office of Fair Trading was
610 set up as the Board of Consumer Affairs, and to me it is absolutely vital that we empower and allow and resource somebody like the Office of Fair Trading to look after consumers, whatever industry they are in.

I hope you were as shocked as I was to learn, not in Tynwald this month but last month's Tynwald, that the gas regulations that were administered by the Department of Infrastructure for health and safety had not been updated since natural gas came to the Isle of Man, so for nearly 10
615 years we have been operating health and safety regulations that do not deal with the gas that we have had. Therefore, we need technical regulation in places like the Department of Infrastructure to be improved as well. So I am not only setting a challenge for CURA, I am also setting a challenge for the Office of Fair Trading technical regulators to come on board, so that we ... The way I used
620 to teach regulation, you work out the purpose and then you set up a law and arrangements to achieve each purpose. Protecting the consumer is different from regulating a natural monopoly where there is a dominant position, and that is different from technical regulation for health and safety or any other technical aspects, standards and things. We just need to have a clear review, and that is what I hoped the review would do – and so far, it has not delivered.

625

Q23. The Chair: Thank you, Mr Thomas.

The global energy market appears extremely volatile right now. What more could be done, do you think, to improve the Island's security of supply?

630 **Mr Thomas:** I think I asked that question of the Treasury Minister a few days ago – I always support where I can and so on; that is my role – and I think the Treasury Minister gave a very clear answer, which is that at the moment he wants to focus on means testing in terms of response. Otherwise, he wants to use the benefits system, the Social Security system, perhaps even the pension system for supporting people who suffer, and he said other things might be on the table.
635 But it is for him to come forward in April, apparently, with an idea of it.

What we could do is think about providing subsidies to producers of energy. I think the Manx public would be uncomfortable with that, and certainly if you start doing that you are into all those issues of if you do it to Manx Utilities more than you have done it to Manx Gas or Ellan Vannin Fuels ... You are into issues of unfair competition and you are into one supplier who is competing
640 with another in terms of space heating. You are into the potential issue of ramifications if you do

not make those sources of public funding available equally to both – to all, sorry, but I do mean mostly Manx Utilities and Manx Gas.

645 **Q24. The Chair:** Please feel free to take some water now, Mr Thomas, to give yourself a little two-second break.

With unprecedented high price levels, do you feel more might be done to balance or offset the impact on struggling Island residents?

650 **Mr Thomas:** With increased prices, no, I am on that side of politics that I did fully support the Treasury Minister's decision to increase the winter fuel payment inside the Social Security system, and we do need to look very carefully at how we ... and also to extend it, through an adjusted basis, just beyond the limits, so I am fully supportive of that, but I make up my mind on whatever is presented to us.

655 **Q25. The Chair:** The first public protests about gas took place back in September 2017 and 2022. There are still active campaigners on these issues; indeed, the Committee will be meeting some in the coming weeks. Have politicians underestimated the strength of feeling on utility regulation?

660 **Mr Thomas:** I have already complimented Mr Murphy and the group that he co-ordinates, and I think he might agree with me – but I am interested to see what he says when you ask him a similar question, if you do – but I do not think the public really cares about how we regulate utilities. That is for people like me and him to understand and us and the parliament to worry about and to set up. What they care about is having value prices.

665 I think most people will accept that if you have such a hugely increased gas price, it is going to have an impact on electricity prices and particularly on retail gas prices, and more so on retail gas prices than on electricity prices because the infrastructure involved for the MUA in generating electricity is a much greater proportion than it is on distributing gas, like Manx Gas. I do not think the public cares about how we do it. They have not been on my Masters in regulation courses.
670 They just want people like me to actually get a fair deal so that we still get the investment, we have a safe supply of electricity and gas and we have prices that they perceive to be fair. Obviously, nobody likes paying more for anything, but they are even more angry if they pay more than they have to, and that is the way to think of it, I think.

675 **Q26. The Chair:** Thank you. I would like you to think carefully about this next question: what do you feel Tynwald should do next?

680 **Mr Thomas:** I always think carefully about every question that you ask me and anybody else ever asks me. I think even more carefully about my answer; that is why I am stalling for time.

What should Tynwald do next? Well, in terms of gas, gas supply and gas regulation, I think we should be pleased with ourselves for having trusted CURA to put in place proper regulation, and collectively we should support the next regulations that will come from 1st April and so on. We have got to be joined together in helping people understand what happens next.

685 Secondly, I think we need to support Mr Wannenburg and the Office of Fair Trading to do their job even better. I think they have a very valuable Debt Counselling Service. They can put people on to the Salvation Army and Social Security through that service, so they can deal with hardship, but also I think they need to up their game in terms of protecting the consumer.

690 I have to be honest, I was disappointed with Mr Wannenburg's first answer in terms that the Office of Fair Trading does not have any role now for gas customers. It clearly does, as one of the pieces of legislation that the Office of Fair Trading and Ministers ... is mentioned in the gas customer agreement from Manx Gas. I think the Office of Fair Trading needs to do an even better job regulating customers.

695 I basically think, as politicians, the next time Tynwald should be involved is we should really think through what I have just said about how we should reorganise the way we regulate, and we should put in place a work stream to get us to a place where we have a clear understanding of regulation, but even more fundamentally, how we are going to respond to climate change and how we are going to deal with that public-private competition aspect.

700 This is the sort of thing where I might write to you later saying 'I have changed my mind and these are the other real priorities,' but that is what I think now, after having thought carefully about it and followed your instructions, Chair.

Q27. The Chair: Thank you, Mr Thomas, and I am going to apply the same question now to the rebate: what should Tynwald do next?

705 **Mr Thomas:** The rebate? I think we should ask Treasury, the Council of Ministers and the Office of Fair Trading whether they think there is any basis in law for going back into 2019 after notice had been given, to get money back from Manx Gas. I said we need to rely on Manx Gas's 'it is the right thing to do' approach if they want to carry on in business here, but I think also we need to see whether there is any merit in the sorts of arguments I made through the questions I asked
710 about whether we can actually go ... Because for the six months after we gave notice we can go back, and if we go back we can go back into 2019 because the Office of Fair Trading and Treasury only got the accounts a year in arrears, so I want to see if there is any legal basis whereby we could go after, as a Government, Manx Gas or its owners for what they promised.

715 **Q28. The Chair:** Thank you. Do we need security of supply of gas and electricity, or do we need security of supply and energy?

Mr Thomas: If we do not have any gas on the Island, which could be one decision we make ... There are some people who want that: 'We do not need security of supply of gas, we need a way to generate electricity, we need a way to heat our homes, we need a way to cook our food.'
720 I always go back to the first basis of this, the simplest thing, and to me, given that we have paid for the gas pipeline ... Manx Utilities, I think, can confirm this when they come in, but from memory at September 2023 we will have paid all the financing costs on the gas pipeline when it comes into the Isle of Man, so we have an asset that we have paid for, that we are likely to carry on using,
725 given that in the future we will just pay for the gas that comes through it and the maintenance and operation of it. Therefore, it is quite likely that those sunk costs, in a way, are irrelevant to the decision future, and although there are people who believe that we should turn off all fossil fuel use and so on, I think we have to make a decision about that, and it seems to me quite likely that the argument has to be quite persuasive not to use that gas pipeline and we need to get
730 inside technical people's heads.

We need energy security to heat our houses. At the moment, there are 20,000 people who use gas to heat their homes. We need to work with firms like Manx Gas, Manx Utilities and all the other people involved to make sure they continue to heat their homes. We need to make sure they can afford to heat their homes. We need to make sure they have ways to cook their food.
735 We need to make sure they have ways for the power station, whatever form it takes, to keep running. That is what energy security is, and we have to answer that in our place, in our Tynwald, but we cannot do it politically; we have to do it for 10, 15, 20 years by being informed by technical people. So it is a good move that the Climate Change Transformation Board and DoI are now getting more technical expertise into them to work with people at the MUA, Bord Gáis in Ireland,
740 Ørsted – is that their name now, or is that the old name? Anyhow, the people who have the windfarm franchise, all of the people who are out there. We have to come up with the answer that works for them but, most importantly, works for the Manx public, to get energy security.

The Chair: Thank you, Mr Thomas.

745 Mr Wannenburgh, do you have any questions?

Q29. Mr Wannenburgh: I have one question for you, Mr Thomas. You said that Manx Telecom are getting away with murder: how can we do something about that?

750 **Mr Thomas:** We have to begin the same process that we have gone through politically, if necessary. I have warned CURA that as soon as this is sorted and they have put in place all the regulations, my first question will be 'What plans do you have to review the return on capital employed?' I believe I will get a positive answer; I believe it is in their workstream. The Office of Fair Trading – I think, on the same argument, I would say to you ... you have to look to see whether
755 consumer interests are being looked after because you share responsibilities with CURA in the telecoms market under the legislation. That is what we need to do.

Also, most importantly – very importantly for me and for Douglas people, in particular; it is not a huge part of the cost, but it is significant for people – the policy is clear that masts should be shared and ducts should be shared, but I feel for Sure because Manx Telecom will not let them
760 share the masts. Therefore, Sure has to come along and put new masts up, just down the road, and put in new trenches. That cannot be right, that is not in the public interest, so that is a battle that I have started fighting.

But there is a more fundamental battle to do with making sure that we have periodic price reviews, which are now needed to make sure the public is not being ... Essentially, I do not know
765 what subscription you have, but it is likely to be ... I am sure, as a politician, you have a Manx number and so on, because you do not want to ever suffer the indignity of being caught out with an off-Island mobile. You are paying, probably, three times the price for your telephone services than young people you know are paying, who are doing it through UK mobiles that still work on the Isle of Man – and that cannot be right, I do not think.

770 Perhaps there are all those differences, but I am suspicious. I think we now need to get the NERA-type people to look at all of these costs to actually completely justify those things. But you cannot do everything, and what you learn, especially as you get older, is you have to do a bit of focus – I have always promised everyone that I am going on telecoms next. *(Laughter)*

775 **Q30. The Chair:** Mr Moorhouse, do you have any questions? You do not.

Should legacy fossil fuel providers, like Manx Gas, have a privileged role in the transition to renewables?

Mr Thomas: No, it should just be fair. We cannot discriminate against them, we cannot treat
780 them unfairly and so on. We made a good start by having an open call for expressions of interest, but we were overwhelmed with all the different helpful answers we got, and now we have to have a process that is fair to existing providers and new providers. They obviously have an advantage because they know the market and they have the customers and so on, unless having experience is a disadvantage to them; but no, we have just got to be completely fair. You cannot be fair if
785 anything is in secret. Once you get into that world of having fair markets, you have to make sure that what needs to be in public and transparent is in public and transparent.

Q31. The Chair: Mr Thomas, thank you for your descriptive answers so far. Could I please ask
790 that you send the Committee a summary of the key dates of events referred to throughout your tenure in the positions?

Mr Thomas: I would be pleased to. **(The Chair:** Thank you.) A chronology, you mean?
(The Chair: A chronology.) Also, I would appreciate the thing, especially as, to be useful, you are going to have to report quite quickly, I imagine. To me, it would be great if you could think of the
795 exact questions that you are going to answer in your report and address in your report, to help me cut and paste from things I have already got on *Hansard* and so on. I would very much like to

have very specific questions that I have more time to think of a very specific written answer to, if that would be helpful. I offer that, anyhow, if it would be helpful.

800 **Q32. The Chair:** Thank you.

Before we close, is there anything else that you would like to mention to us that we have not asked about today?

805 **Mr Thomas:** Going back to the idea that what matters to people is the price they pay for something, I think you should think about whether Government is doing enough to get public understanding of utilities pricing. I think that is something that could come out of your report usefully, collectively, so that people do not blame Manx Gas that the price has gone up. Part of it is their fault, but the other part of it is wholesale prices. We did not achieve it – Carlos, Mr Phillips and I and the Committee. We wanted to do that, and that is what I was agreeing with Manx Gas
810 that we would do next, we would try to explain, but we have not managed it as yet. Mr Murphy has done a great job through his group, supporting what is right and only criticising what is wrong and so on – he is always very positive – but I think we need to work ... That is what I would say. Often, it seems to me, people are either anti-Government or pro-Government. What we need to get right is proper understanding on what the future is. That is one thing.

815 The second thing: if we are limiting it to gas, there are some other costs that could still reduce from Government's side. For instance, the settlement in 2011-12, when Government lent Manx Gas, through the Manx Utilities, money at 6% for the network extension. The deal was that Douglas people would pay more for gas and people who lived outside Douglas, mostly who used LPG, would pay less for gas. That costs Manx Gas £1 million a year. You will see all the
820 information in that Answer at the end of June 2020 to that effect. Is that right? That is the question. Should Manx Gas ...?

The current lot do not even know why they are doing it; they just know that at some time they were told that they had to have fair pricing. But it costs a lot more to do utilities in certain places than it does in others. Is that right? Douglas gas was always cheaper than Castletown gas, Port
825 Erin and Port St Mary because they had more people in Douglas to share it with and there was less cost because it is further away from the port where it was coming in, and so on. That is a question that needs to be asked.

The other one is, as I have said, in September 2023 ... I hate to mention this, but Manx Utilities saves quite a lot of money once it does not have to pay the financing costs. I think it is €750,000 a
830 month, from memory, which is quite a lot of money. Dr Allinson answered me that that was all going to pay off the bonds for Manx Utilities, which effectively is electricity and water companies. Is that right? Should some of that go to gas customers? It all depends. The most important thing for gas customers is to know how long they are going to have gas for, but those sorts of questions are also things that could actually reduce it. The reason I say it is because ultimately the electricity
835 price in the Isle of Man is roughly in line with across. Okay? It is, because there have been ... In part, that is because there have been write-offs. Nothing untoward or underhand about this. Formerly, Tynwald approved writing off £95 million of Manx Utilities debt on the basis of new pricing. Water and sewerage are not too far away from what is across, but gas and telecoms are massive in comparison to across, and so that is another issue that I think we have to think about.

840 And then finally – and this is one of the biggest successes of the Gas Customers Working Group; it was the thing that really animated them, it was one of the earliest successes they had – is the standing charges. There was massive anger about the standing charges issue, and that is one of the things we actually got fixed during the time when the Chief Minister's Gas Regulatory Committee was working. But in a way, Ancala Partners, when they conceded and changed it back
845 the thing started changing, compared with the situation when they bought the company, because ultimately ... Typically in the Isle of Man, standing charges have been lower than the actual fixed costs of provision of utilities. That is the case in gas, I am sure it is probably also the case in

telecoms, and the whole politics of fair charging of standing charges is something that I have often looked at and we have not solved as yet, because it is different in different places.

850 I suppose the last thing, just to frighten Manx Utilities a little bit, is the regulatory model that Manx Gas always used to want when they were arguing with us in the Gas Regulatory Committee – and it is all public; it is in an Answer, I think, that was printed in *Hansard* in about April 2020. What they wanted was the same arrangements that Manx Utilities had under Tynwald policy in October 2018, from memory. In other words, what Manx Utilities have with Tynwald’s approval is
855 that the water, sewerage and electricity prices go up by CPI in September each year – although electricity can go up by more, I guess, if the gas price goes up. Manx Gas always used to say, ‘Chris, if you are going to treat us fairly, get us the same arrangement.’ That is a massive arrangement and that is the reason why I float this idea that if we are going to treat the public sector and the private sector fairly, we have to come up with a common standing ... we have to have fair
860 regulatory arrangements for different people if they really are competitors.

The Chair: Thank you. That brings us to the end of our prepared questions. The Committee will now sit in private.

Mr Chris Thomas, thank you very much.

865

Mr Thomas: Thank you very much. We have finished early – we still have 12 minutes. I am not known for going on and on, but apologies if I did!

The Chair: Thank you.

The Committee sat in private at 3.18 p.m.