

## MANX UTILITIES AUTHORITY

### 1.18. Natural gas infrastructure – Ownership

The Hon. Member for Onchan (Mr Callister) to ask the Chairman of the Manx Utilities Authority:

*Who owns the natural gas infrastructure funded by way of a Government Loan?*

**The Speaker:** We turn to Question 18 and I call on the Hon. Member for Onchan, Mr Callister.

**Mr Callister:** Thank you, Mr Speaker.

I would like to ask the Chairman of the Manx Utilities Authority who owns the natural gas infrastructure funded by way of a Government loan?

**The Speaker:** I call on the Chairman of the Manx Utilities Authority, Dr Allinson, to reply.

**The Chairman of the Manx Utilities Authority (Dr Allinson):** Thank you, Mr Speaker.

The natural gas extension infrastructure was created to supply natural gas to Manx Gas's distribution networks in Ramsey, Peel and the south, and is wholly owned by Manx Utilities.

The project was completed under budget in 2012 and funded by loans to the former MEA, approved by Tynwald, at a final completed cost of £20.06 million. This comprised £12.12 million in respect of physical pipelines in the ground and £7.94 million in respect of the costs of consumer conversions from LPG in previous supplies to natural gas.

Manx Gas is repaying these costs, less £1.5 million, as agreed by Treasury, in respect of incremental pipeline costs incurred to improve system security and resilience of the pipeline as a national asset. These repayments have an interest rate of 6% fixed over the next 40 years.

**The Speaker:** Supplementary question, Mr Callister.

**Mr Callister:** Thank you, Mr Speaker, and I thank the Chairman for his detailed response.

Taking into account the Answer just given by the Chairman of the MUA, could he possibly just confirm or just clarify that the MUA actually owns the natural gas network going into domestic properties and businesses in Ramsey, Peel and the south and not in Douglas, Onchan and Laxey etc.?

**The Speaker:** Chairman to reply.

**The Chairman:** Thank you very much, Mr Speaker.

To put it in context, the natural gas supply to the Isle of Man is in three separate parts. There is the high pressure network, which feeds gas in from the SIPS II pipeline and measures a total of 19 km that brings natural gas under very high pressure into Pulrose to supply the Power Station.

There are 11 different pressure reduction sites which then feed into the intermediate pressure pipeline which serves to then supply the areas that the Hon. Member has mentioned, such as Douglas, Ramsey, Peel and the south. And then there is a low or medium pressure distribution network which supplies consumers, which is owned by Manx Gas themselves.

**The Speaker:** Supplementary question, Mr Callister.

**Mr Callister:** Thank you, Mr Speaker and again, I thank the Chairman for his answer.

If I am understanding his answers correctly, I am disappointed to discover this morning that the natural gas infrastructure, funded by way of a loan from the Isle of Man Government, which is being

paid back by Manx Gas consumers over the next 40 years, is not actually owned by the people of this Island.

Therefore, can I ask the Chairman if the Isle of Man will now be held to ransom with ever-increasing gas prices over the next 40 years and will the Chairman agree with me that businesses and individuals will need a fair pricing structure going forward and not the monopoly system that we have at the moment?

**The Speaker:** Chairman to reply.

**The Chairman:** Thank you very much, Mr Speaker.

To make it quite clear, Manx Utilities owned all the gas pipelines up until Manx Gas took them on to supply consumers. So Manx Utilities do own the vast majority of the pipelines supplying gas around the Island and the loans are to Manx Utilities, not specifically the Treasury or necessarily the Isle of Man Government.

It is very important to remember that the political decision was made to extend natural gas throughout the country to supply consumers with, what was seen at the time and what continues to be, a relatively secure, environmentally effective and relatively cheaper alternative to oil.

By making these loans available and providing the infrastructure, the provision of natural gas is facilitated to the vast number of domestic consumers and industry.

So, I would not agree with his proposition that the Isle of Man Government do not own the means of supplying gas; the actual supply to consumers though is under the control of Manx Gas.

**The Speaker:** Supplementary question, Ms Edge.

**Ms Edge:** Thank you, Mr Speaker.

Can the Chairman of the MUA advise who is responsible for the ongoing maintenance of the infrastructure; and is that a cost that is incurred to the residents through the MUA increases annually, or is that shared with Manx Gas?

**The Speaker:** Chairman to reply.

**The Chairman:** I would like to thank the Hon. Member for that very pertinent question. In terms of the high pressure network, Manx Utilities are obviously responsible for that; in terms of the intermediate pressure network, some of those costs are also passed on to Manx Gas; but in terms of the low and medium pressure network, which would directly affect local people when their roads are dug up when gas mains are put down for domestic supply, all those costs are actually taken on board by Manx Gas themselves.

**The Speaker:** Final supplementary, Mr Callister.

**Mr Callister:** Thank you, Mr Speaker.

Again, I thank the Chairman for his detailed response this morning. Would the Chairman just clarify if there are any break clauses in the current contracts between the MUA and Manx Gas in order to consider opening up the markets from December 2018 in order to get fairness for Manx Gas consumers?

**The Speaker:** We are getting to the edge of the Question, but Chairman to reply if you can.

**The Chairman:** Thank you, Mr Speaker.

In terms of the long-term viability of Manx Gas and their supply, we do have a contract with them and an agreement with them to supply gas for their retail outlets and I think it would be premature

and possibly quite disruptive to question that agreement. In terms of the overall supply to consumers, I would like to bring the Hon. Member's attention to the Gas and Electricity Bill 2003, which gave the Manx Utilities Authority the ability to supply gas to various companies who could then supply it on to domestic consumers. But certainly at the moment I think that what we need to do is to make the best use of the structure and the network that we have got to supply the best product for consumers and hopefully do that at the best price.

**The Speaker:** Hon. Members, that concludes the time available for Questions this morning.