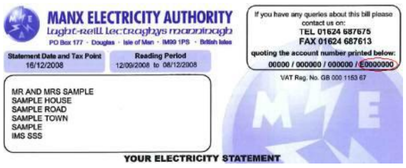

The bitterly cold December weather will mean that most of us will see much more expensive energy bills dropping through our letterboxes in the next few weeks.

No doubt it will be a shock to many.

One PAG member decided to examine the cost of domestic energy prices in the IoM. [Prices quoted are per useful Kilowatt Hour (KwH) in pence]

Electricity
- 16.38

Gas
(at Star Saver rates)

Natural - 6.87

Town - 9.55

LPG - 8.42

Oil
- 6.32 (average)

Coal
(open fire) - 11.07

Those of us with gas or oil fired central heating thus benefit considerably over others reliant on electricity to heat their living spaces.

Surprisingly, even coal is cheaper than our own M E A generated electricity.

Wondering why electricity should be more than double the price of oil and gas required examination of the MEA Annual Report and Accounts for 2009/10 which had been laid before Tynwald in October, without debate.

It's encouraging to read the headline news that the Authority exceeded its financial targets, requiring £3.5 million less Government support than the previous year.

Operating costs were lowered considerably compared with the previous year. The resulting deficit is £5.6 million compared with £24.3 million in 2008/09.

So why are consumers carrying the burden of exceptionally expensive electricity tariffs and more significantly will continue to do so for decades to come?

It's all to do with the extraordinarily high level of debt, which is a colossal £381 million. This debt is guaranteed by the Isle of Man Government.

The largest single item is an £185 million bond, which will have to be repaid by 2034.

No provision has been made for repayment of the bond in the MEA Report . Pulrose power station, by 2024, will require major capital investment, since by then its turbines and associated switchgear will be beyond their useful life.

It is assumed that the cost of the finance lease, at £57 million, is already being recovered from the tariffs charged by the MEA and that it will have been completely repaid by 2023.

A £35 million loan from Barclays Bank will need to be repaid by 2013 with a possibility of extension by two years. No provision appears to have been made in the accounts for repayment of this loan.

The balance of the loans, at £104 million, is from the Isle of Man government, repayable over periods of 20 to 30 years.

Provision for the repayment of these loans will require annual payments of 1.7 million from 2011 plus £2.6 million from 2016.

From the above it can be seen that, to repay the MEA loans completely, from 2011 until 2016 it would be necessary to make annual payments into a sinking fund (or equivalent) of at least £16.7 million (if the Barclays loan is repaid over the longer period) and £12.3 million from 2016 onwards.

Without drastic changes to the MEA's mode of operation this would require increasing electricity cost by approximately 10p/uniit between now and 2016 and approximately 7p/unit thereafter. So as a consumer be warned!

In the longer term, unless future governments take firm action to tackle the debt repayment we will be burdening successive generations with these huge liabilities.

Every property in the Island will be affected, so perhaps there should have been an informed Tynwald debate in October about the future of our sole electricity supplier?