Response by Energia to the Utility Regulator

UR Forward Work Programme 2024-2025

01 March 2024

1 Introduction

Energia appreciates the opportunity to respond to the UR's Forward Work Programme 2024-2025. The crucial role of decarbonization in achieving government climate goals necessitates a holistic approach across all areas within the Utility Regulator's purview. Energia emphasizes the importance of integrating decarbonization goals alongside security of supply and a Just Transition to effectively meet customer needs. Energia welcomes a more proactive Utility Regulator and anticipates increased engagement in the future.

Energia Group is a leading integrated and innovative energy company with substantial businesses in both the Republic of Ireland (ROI) and Northern Ireland (NI) and is committed to playing a key role in the decarbonisation of the energy system across the island of Ireland. Energia operates through three businesses: Renewables; Flexible Generation; and Customer Solutions. Energia has a substantial and growing portfolio of renewable generation capacity throughout Ireland and has extensive experience in the design, construction, and operation of renewable energy developments.

The Renewables business owns and operates 309MW of wind assets and purchases electricity from 1,247MW of renewable generation capacity throughout Ireland. The Flexible Generation business owns and operates 747MW of conventional generation assets in the ROI and procures power under contract with 600MW of conventional generation assets in NI. The Flexible Generation business also owns and operates a 50MW battery storage facility in Belfast which was commissioned in October 2022 and is progressing the development of a proposed data centre at its Huntstown campus in Dublin. The Customer Solutions business supplies electricity and gas to 311,700 customer sites in the ROI and 516,600 customer sites in NI through its two retail brands, Energia and Power NI.

Northern Ireland is competing for global investment; a consideration which underpins Energia's response. The policies and supports necessary to attract not only developers but companies active in the renewable energy supply chain whilst in train, have yet to be put in place. There is a considerable risk therefore that NI will be overlooked by developers and international capital to the detriment of not only NI's 2030 climate targets but the decade beyond. Only 86MW of large-scale renewables has been successful developed in the last four years in NI, at a time when a minimum of 300MW per year is required in order to achieve the government's legislated 2030 targets. The fact that NI has previously developed 400MW of capacity in a single year (2016) serves as not only as a reminder of NI's potential to deliver the requisite capacity when the correct policy is in place, but also as an indictment of the drop off in development activity in the seven years since that time.

2 Executive Summary

- Given the proximity of 2030 in the context of the time required to deliver electricity infrastructure, it is now imperative that the existing network is leveraged in new and innovative ways. Facilitating hybrid connections, co-location and otherwise "sweating" connection assets are all policy changes that can alleviate electricity network constraints without the requirement for new infrastructure. Increasing the volume of renewable electricity that can be generated in NI.

- Pursuing "Greater physical market interconnection with Great Britain and Ireland," is only fully in Northern Ireland's interests under the correct circumstances. The high level of interconnector imports, witnessed in the past year contributed significantly to the increase in dispatch down levels of Northern Irish renewable assets.
- Energia highlights the global competition for investment and stresses the importance of developing policies to attract developers and companies in the renewable energy supply chain. The risk of remaining unattractive to developers poses a threat to achieving 2030 climate targets and long-term consumer value.
- We welcome the development of a regulatory regime for new low carbon technologies, including heat networks, and welcome continued focus on consumer protection.

3 General Comments

3.1.1 Supporting the Just Transition to Net Zero

Energia welcomes the updated statutory powers allowing the Utility Regulator to assist the government in reaching their renewable energy carbon budget obligations. Recognizing Northern Ireland's delayed progress in policy development for 2030 targets, Energia emphasizes the need for considerable progress in the next six years to achieve these goals.

Given the proximity of 2030 in the context of the time required to deliver electricity infrastructure, it is now imperative that the existing network is leveraged in new and innovative ways. Network constraints are at an unprecedented and unsustainable level to support the type of capacity investment required and must be alleviated where possible. Facilitating hybrid connections, co-location and otherwise "sweating" connection assets are all policy changes that can alleviate constraints without the requirement for new infrastructure. In that context we welcome the decision by SONI to remove the 120% over-install cap for single and hybrid sites.

Firm Access has not been progressed in tandem with ROI's firm access policy, which further disadvantages renewable projects in Northern Ireland. For a number of existing generators, the granting of firm access is dependent on network reinforcements, which are oftentimes delayed. Providing greater quantities of Firm Access to generators, also creates the necessary price signal for network reinforcements to be prioritised, such that increasing quantities of renewable electricity can continue to displace fossil generation. In addition to strengthening the overall Firm Access policy in Northern Ireland, Energia strongly believe that providing firm access to battery and storage technologies would maximise the benefits associated with these units, absorbing renewable power and providing power back to the grid during periods of high demand. If facilitated there is the potential for this one policy decision to not only alleviate existing levels of network congestion but also improve system adequacy.

3.1.2 Securing Energy Supply

We would strongly caution against pursuing "Greater physical market interconnection with Great Britain and Ireland" without further robust analysis and consultation. From a security of supply perspective, interconnectors cannot always be relied upon to flow when required from one jurisdiction to another during system stress events. In fact, it

is not unusual for TSOs to suspend the available transfer capacity of interconnectors to prevent exports if they have concerns about potential system stress events locally. Sub-sea interconnectors are also susceptible to long-term outages and potential sabotage. It is also the case that interconnectors displace significant volumes of dispatchable generation in the SEM through their participation in the capacity market, but in reality they cannot be relied to the same extent to protect security of supply, which is not adequately reflected in their de-rating factors. It should also be recognised that interconnectors can have a significant negative impact on constraints and curtailment of wind in Northern Ireland as we have seen throughout 2023, with no reversal of this trend in sight. This too has a negative impact on Northern Ireland consumers. Policy pertaining to future interconnection must take this factor into account as it is not in the NI consumer's long-term interest to displace indigenous renewables production with imported power.

NI is regularly importing 400MW across the Moyle Interconnector, even during times in which domestic wind is dispatched down. Based on SONI's Wind dispatch down reports, NI wind constraints have increased to five times the amount documented in the same periods for 2022, from a level of 5.8% in Q4 2022 to 25.6% in the same quarter last year. As previously stated, the continuation of this level of constraint into the foreseeable future has the potential to significantly undermine the investment case for new renewable capacity in NI.

Northern Ireland wind generation experienced unsustainably high levels of dispatch down in 2023. The levels of dispatch down experienced risk the economic viability of existing investments, raise costs to consumers in the form of dispatch down compensation, reduce Northern Ireland's attractiveness as to renewable generation investors, and make it far more difficult to achieve the legally binding target of 80% of electricity consumption coming from renewable sources by 2030.

It is of the utmost important that the TSO must have sharp incentives to reduce high levels of dispatch down on the system through relieving constraints. Steps can be taken in the form of cross-zonal trades, reducing min-gen levels of NI dispatchable generation, and better use of the existing North-South interconnectors to reduce constraints in NI. Finally, existing interconnector policy should be reviewed, as modelling indicates that Ireland will continue to be a net-importer via the interconnectors for decades to coming, which could lead to significant costs for investors and consumers.

In the absence of a Firm Access policy in NI, renewable developers have no ability to budget an expectation of the future losses their projects will incur due to dispatch down. Open ended risks are generally viewed unfavourably by investors, increasing the risk level associated with investments in Northern Ireland and thus the cost to the end consumer. A firm access policy complementing the design of the new support scheme, would provide the certainty needed by developers to price in the expected future cost of dispatch down accurately and reduce the overall level of uncertainty inherent in the investment.

3.1.3 Enabling Best-in-Class Energy Companies

Energia highlights the global competition for investment and stresses the importance of developing policies to attract developers and companies in the renewable energy supply chain. The risk of remaining unattractive to developers poses a threat to achieving 2030 climate targets and long-term consumer value.

Energia recognizes the importance of prioritizing the needs of current and *future* consumers during the energy transition. Energia emphasizes the significance of holistic thinking in investment and innovation to benefit both current and future consumers, which aligns with one of the UR's key outcomes of enabling long-term, value for money investment that benefits consumers and drives innovation.

3.1.4 Consumer Service and Protection

Energia underscores the need for a regulator equipped to address the evolving requirements of the energy transition. We welcome the development of a regulatory regime for new low carbon technologies, including heat networks, and welcome continued focus on consumer protection. Energia supports the NI Consumer Council's call for a comprehensive regulatory framework relating to the installation and lifecycle of consumer facing technologies regardless of heat source.