

Call for Evidence Response Template

In order to respond to this Call for Evidence, please complete the tables below.

You only need to answer the questions that are most relevant and important to you.

Respondent details	
Company / Organisation	Power NI
Type of organisation / Sector	Electricity Supplier
Address	Woodchester House, Newforge Lane, Belfast
Respondent name	William Steele
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Response to Call for Evidence

Drivers of change

Topic: Drivers of change

Question number: 1

Question: Which of the key drivers outlined present the largest impact for you or your organisation?

Response:

The Energy Transition and the 5 'Drivers for Change' identified by the Utility Regulator (UR) within the Call for Evidence will all impact Power NI's role as a supplier within the electricity market. Customer demand and uptake will drive the degrees of change which come about through these activities and therefore will also drive the level of impact, innovation and new products and services which Power NI will deliver.

Topic: Drivers of change

Question number: 2

Question: In addition to the key drivers mentioned (distributed energy resources; increasing popularity of electric vehicles; development of battery technology; the emerging market for energy aggregators; and digitisation and data usage), are there any others that you consider to be a significant factor in affecting future electricity use?

Response:

The UR may also wish to consider the electrification of heat as having a potentially large impact on future electricity use.

Topic: Drivers of change

Question number: 3

Question: Do you consider that economy and efficiency should continue to be key factors in the Utility Regulators role in the transition process?

Response:

The UR is an economic regulator and has a statutory duty to protect consumers therefore economy and efficiency should be key factors in the UR's decision making and governance processes.

Topic: Drivers of change

Question number: 4

Question: Which of the key drivers outlined do you think present the largest impact for Northern Ireland specifically – and why?

Response:

Power NI considers all of the drivers of change to be important. It is probable that the uptake of Electric Vehicles will be supported by government policy and funding which will see a substantial rise in the number of both plug in hybrid and full electric vehicles being used in Northern Ireland.

Topic: Drivers of change

Question number: 5

Question: How important and valuable do you consider energy aggregators to be?

Response:

Power NI is disappointed by the UR's description of aggregators as a new or emerging entity. The existing role of an electricity supplier is to effectively aggregate and provide a route to and from the market for the end consumer. This is already done for 'traditional' demand volumes, micro generation and small-scale generation i.e. all demand and non-participating generation. The UR is incorrect to position this as a new development.

In terms of the importance of this role, Power NI considers it to be vital to the effective operation of the market. Suppliers are the only organisation who have a relationship with the consumer, suppliers also provide the main cash flow for the electricity industry and provide the collateral which enables both the network and generation companies to enjoy a fully collateralised, and therefore largely de-risked, position.

Topic: Drivers of change

Question number: 6

Question: In what ways could the electricity market in Northern Ireland be changed to make better use of energy aggregators?

Response:

The question is not one of aggregation but rather what route to market exists for new services and whether they are economic. In recent years significant work has been undertaken in the areas of demand side management and ancillary services. This type of activity provides economic signals for behaviours. As a regulator the UR should focus on ensuring there are adequate economic signals to incentivise the activity desired. Once this is in place the market will ensure that delivery takes place, including how that comes to the market.

Topic: Drivers of change

Question number: 7

Question: Do you think that digital technology, which offers customers live information on consumption and bills, is necessary for tariffs to provide adequate pricing signals?

Response:

The concept of sending pricing signals is one that requires careful consideration. A price signal is an expectation of a certain price point occurring due to behaviour or conditions on the electricity system. By signalling the event you are attempting to change the behaviour forecast and therefore at a certain volume level, will change the original forecast outcome.

There is undoubtedly a place for increased data levels in the electricity market. Some customers have a desire to see much more detailed breakdowns and analysis of both pricing and consumption that it is possible to currently provide. A further cohort of customers wish to actively engage with the energy market and data is a key enabler for that to happen. It is important however for the UR to recognise that customers are not a homogenous group and that solutions should not be imposed, at cost, on those customers who do not wish or are not able to actively engage or want high levels of data. The UR should be mindful, as has been highlighted through the Energy Strategy work with the Department for the Economy that a twin track approach of 'enabling' and 'protecting' is important.

Topic: Drivers of change**Question number:** 8**Question:** Is there existing technology in NI that could be used enable more efficient transition?**Response:**

Power NI has recently introduced enhancement to the prepayment solution within Northern Ireland using Bluetooth technology. This is an important development as it provides customers with insights into their consumption and costs digitally via their smart device. This alongside other products which monitor usage at the meter can be provided to customers at a minimal cost. Developments like this in the market are very important. They provide both an enhanced service to customers but also signal the level of 'real' customer desire to engage and have access to their data. These products have been delivered delivered at a minimal cost and utilise the existing network and metering infrastructure thereby avoiding speculative, high cost, mass roll outs of centrally led programmes. Cost has and will always be a key driver and should be central to decision making. Power NI believes further developments can be delivered using this approach by further leveraging existing day/night and 4-rate metering solutions and exploring how to link such existing technology to smart communication devices.

Topic: Drivers of change**Question number:** 9**Question:** If changes were made to tariffs, should this wait until all customers have access to up-to-date technology that allows the change to have maximum impact?

Response:

Power NI believes changes to tariffs must have careful consideration as to the approach. As the UR has indicated but not fully explored within the Call for Evidence, suppliers translate network tariffs into end user tariffs, this means that changes must be both customer led and supportable/implementable by suppliers who have the contractual relationship with the customer. Tariff reform should not be network led.

Tariff reform options

Topic: Tariff reform options

Question number: 10

Question: Different tariff structures place emphasis on different factors such as cost-reflectivity, managing peak demand, simplicity, reducing price volatility, and providing more information to customers. Which objectives do you think tariffs should be designed to prioritise?

Response:

Power NI believes that as a core requirement, network tariffs should look to be cost reflective. The network companies should then be incentivised to enable and facilitate customer led requirements in relation to information, simplicity etc.

Topic: Tariff reform options

Question number: 11

Question: With regard to non-discrimination and cost reflectivity, are there deficiencies in the current tariff system which could be remediated?

Response:

Power NI believes that it is an appropriate time to review network tariff methodologies in line with the energy transition. It is again important to highlight that it is suppliers who incur network tariff costs and include them within their end consumer tariffs. This is not always on the same basis. The main example of this is Power NI's price controlled regulated domestic tariff. As the UR is aware this tariff is a single rate and does not explicitly charge the standing charge as a specific line item but rather includes it within the unit rate. This provides greater transparency and simplicity for customers however does include an inherent cross subsidy between those who have a higher consumption pattern to those who have a lower consumption pattern. This was implemented with regulatory consent for socially progressive reasons.

Topic: Tariff reform options**Question number:** 12**Question:** Do you think there are factors other than price that effectively incentivise consumers to change their behaviour? Which of these (including price) would you expect to be the most powerful incentive?**Response:**

Economic incentive either in terms of price or support mechanisms have traditionally been the most effective means of changing behaviours in the majority of cases. There have been many studies done which show that there will always be a cohort of customers who adopt behaviours for principled reasons or in the cases of new technology as 'early adopters' however in terms of mass behavioural change Power NI believes that the economic signals must be correct to enable change to be sustainable.

Topic: Tariff reform options**Question number:** 13**Question:** Do you think that tariffs should be more tailored to individuals' energy usage, or be more a reflection of overall demand?

Response:

Power NI believes that end consumer tariffs should be consumer led. As stated above, network tariffs should be cost reflective and seek to facilitate consumer led initiatives which enable and support the energy strategy.

Topic: Tariff reform options

Question number: 14

Question: Because there are fixed costs to using the grid, costs are not exactly proportionate to consumption. Do you think that tariffs should be more reflective of the service that is being provided through the network connection?

Response:

Power NI believes that costs reflectivity is an important principle. It may not always be absolutely achievable however should be the basis on which network tariffs are designed. New technologies such as embedded generation and EV's will change and be disruptive to the current suite of tariffs therefore this assessment is important in that context.

Topic: Tariff reform options

Question number: 15

Question: To what extent do you think tariff structures should rely on new modern technology and data capabilities?

Response:

No specific response.

Approaches to managing the transition

Topic: Approaches to managing the transition

Question number: 16

Question: Would you expect tariff reforms to be introduced quickly over a short time period, or to be eased in gradually?

Response:

Power NI strongly believes that network tariff changes made without supplier involvement will not lead to any substantive change to end consumer tariffs and therefore be ineffective in delivering the changes the UR seek. Any changes will need to be delivered in a joined up manner and will need significant customer engagement and positioning. This cannot be introduced quickly without being highly disruptive to customers. It will be important that as an industry the timing of changes are carefully considered and factors such as the energy strategy status, new technology and market conditions should all be considered.

Topic: Approaches to managing the transition

Question number: 17

Question: Would you expect tariff reforms to be applied to all consumers, or only certain subgroups or a certain proportion?

Response:

The question is unclear as to whether the UR means all customer categories of network charges or all end consumers. Should the intention be all end consumers this will again require significant supplier engagement and customer research to enable changes and desired outcomes.

Topic: Approaches to managing the transition

Question number: 18

Question: Do you have views on whether new tariff structures should be opt-in, opt-out, or mandatory?

Response:

New tariff structures should be customer focussed and support the development and facilitation of new products and services in a cost reflective manner. Opt in/out questions should only be considered at the end of the process following customer research, assessment of the desired outcomes and consideration of the inherent economic signals.

Topic: Approaches to managing the transition

Question number: 19

Question: In addition to (i) opt-in / opt-out, (ii) offering a choice from a range, or (iii) gradually phasing in a new system, are there other methods of offering new tariffs to customers that should be considered?

Response:

No specific response.

Topic: Approaches to managing the transition

Question number: 20

Question: Do you think consumers would respond positively, if offered a range of options, or should one type of tariff be used for everyone?

Response:

End consumer tariffs should be tailored to the product or service being offered.

Topic: Approaches to managing the transition

Question number: 21

Question: Do you have views on whether consumers could modify their behaviour, if the incentive to do so was right? Or are usage patterns largely fixed by factors outside of their control?

Response:

As stated above, economic signals can have a strong impact on behaviour however it should be recognised that not all consumers would be in a position to respond to such signals.

Topic: Approaches to managing the transition**Question number:** 22**Question:** There are a range of options for monitoring the impact of reforms, such as surveys, analysis of complaints, billing questions, and usage monitoring analysis. Which do you think would be most effective?**Response:**

Monitoring of any changes will be dependent upon the outcome sought by the change e.g. response to price signals, availability of DER, uptake of EVs etc.

Topic: Approaches to managing the transition**Question number:** 23**Question:** Should consumers be protected from large bill increases caused by the reforms even if this needs to be funded by a cost elsewhere? If so, how long should the protections be in place for?

Response:

Affordability is part of the energy trilemma and it is important that the development and delivery of the energy strategy is mindful of the cost to end consumers. Wherever possible, steps should be taken to minimise the cost to the end consumer. Minimising the cost of electricity will both assist in the acceptance of changes and also support the uptake of elements highlighted in the energy strategy which will lead to increased consumption e.g. EVs and the electrification of heat.

Customer engagement and market understanding

Topic: Customer engagement

Question number: 24

Question: How engaged do you think consumers currently are on their energy usage and tariffs? For example, are they more, less, or adequately engaged relative to what would be expected?

Response:

In terms of the entire customer engagement section, Power NI would urge the UR to critically assess the outcomes of the DfE Energy Strategy with a view of how network tariffs can enable and support the desired outcomes. Working alongside suppliers, customers can be engaged in the development of tariff solutions which will align with the strategic objectives of the energy transition and assist in enabling those who wish to avail of new products and services being able to do so in an economic manner.

Topic: Customer engagement

Question number: 25

Question: Would you identify particular demographics as having lower engagement? If so, why is this the case? Is it more due their own unwillingness to engage, or that the market is not very accessible?

Response:

Please see response above.

Topic: Customer engagement

Question number: 26

Question: Do you have views on best method to engage customers more?

Response:

Please see response above.

Topic: Customer engagement

Question number: 27

Question: Should unengaged customers be encouraged to increase their understanding of the market, or can they be trusted to opt-in?

Response:

Please see response above.

Topic: Customer engagement**Question number:** 28**Question:** At what stage in the reform process would it be optimal to engage consumers and (how) should this vary over time?**Response:**

Please see response above.

Other challenges and risks**Topic:** Other challenges and risks**Question number:** 29**Question:** Are there any unique features of the Northern Ireland electricity distribution market that are particularly important to account for in the transition?

Response:

Please see response above.

Topic: Other challenges and risks

Question number: 30

Question: There are a number of examples of tariff reform that have taken place in other countries. Are there specific examples that can be closely compared to the market in Northern Ireland? How important is it that the adopted reform approach is one that has been tried and tested elsewhere?

Response:

Please see response above.

Any other comments

Please provide any other comments:

How to respond

Representations may be made on or before 5pm on 16 August 2021. Responses can be sent in writing to or by emailing:

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Our preference is for responses to be submitted by e-mail.

Confidentiality

Please note that we intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex.

As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act ("FOIA"). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this. In particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.

The Utility Regulator has published a privacy notice for consumers and stakeholders which sets out the approach to data retention in respect of consultations. This can be found at <https://www.uregni.gov.uk/privacy-notice> or, alternatively, a copy can be obtained by calling 028 9031 1575 or by email at info@uregni.gov.uk.

This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Utility Regulator to request.