Response to the Utility Regulator's Call for Evidence on Electricity Distribution Tariff Reform

Windwatch NI and West Tyrone against Wind Turbines

16 August 2021

1: Failure of the overarching project for renewables:

From the outset of the overarching project for so called renewable energy we have repeatedly demonstrated the legal requirement for an honest cost/benefit analysis to be undertaken before any choices are considered.

We have informed local and regional tiers of governance on the lack of meaningful public consultation.

We have repeatedly informed various tiers of governance on the actual environmental, economic and health impacts, of the renewables project. No action was taken on any of them except for introducing legislation which benefits energy industry stake holders.

The above-mentioned failures have so far resulted in the following, and this list is not exhaustive:

The RHI debacle – over £500million.

Subsidy and compensations scandals to the benefit of wind turbine and anaerobic digester owners – over £5billion.

High and contested levels of fuel poverty – over 40%.

The price of electricity now well started on an out-of-control spiral due to the cost of renewables.

No measured financial or environmental achievements – simply unevidenced assertions.

The emigration of manufacturing industries to locations with cheaper energy.

Continuing grave public safety concerns. These are now exacerbated by the intention to use electric vehicle batteries in or close to homes as grid connected storage.

2: Failure of transparency:

Industry salesmen and government analysts, such as the Committee on Climate Change have repeatedly misled politicians about the true cost of their favoured emissions reductions technologies, hugely expensive wind farms and solar panels.

Sometimes these costs have been deliberately hidden. Last week, the Committee on Climate Change was ordered by the Information Tribunal to release its previously concealed cost estimates for the target of Net Zero emissions by 2050.

But in spite of attempts to hide the costs, the truth is becoming more widely known, and the Prime Minister is currently in political difficulties over his climate plans because of increasing concern amongst Conservative backbenchers that they are on the verge of widespread public revolt.

Transparency is one of the Utility Regulator's core values, yet there is no evidence of liaison with other bodies to identify the true increase in electricity costs both in consumer's bills and their taxes. Such transparency should include constraint and curtailment payments along with any other form of subsidy or incentive. How can decisions on costs and benefits be made when the base information on which they should be assessed is either false, incomplete or suppressed?

Examples are abundant. Whilst renewables industry spokesmen, ministers and green activists are blaming natural gas prices for the latest round of utility price increases, this is largely a red herring.

That policy-driven costs are more important than market prices is evident when US and European energy prices are compared. In fact, natural gas prices in Europe are more than three times as high ($13/MMBtu) as they are in the US ($4/MMBtu).

The £12 billion a year in subsidies for renewable energy investors that consumers have to pay via their energy bills continue to drive up those bills. Add to that that UK utilities have to pay record-high prices to buy carbon permits for generating power from natural gas and the result is relentless rises in electricity and heating prices.

Energy supplier Haven Power estimates that in April 2021 37.6% of their average consumer bill is due to policy costs, made up of subsidies to renewables (Renewables Obligation, Contracts for Difference, Feed in Tariff), the Capacity Mechanism required to stabilise the system due to unreliable wind and solar, and the Climate Change Levy, a carbon tax levied on industrial and commercial consumption.

For comparison, the wholesale energy cost makes up only 41.7% of the bill

It is clear, therefore, that climate policy costs currently make up as large a share, about 40%, of their customer bills as wholesale energy costs.

There is little doubt that the same situation pertains in Northern Ireland. Why are we not hearing this from the electricity regulator? Why do we not hear that climate policy may add as much as eight pence per unit of electricity? Why instead is the regulator protecting the renewables industry from the proper application of its true costs for providing electricity at the point of demand? Is there an unfair advantage being given to certain renewable technologies over all other energy providers? For example, consider the view of the Competition and Markets Authority (CMA) on the issue of Locational adjustments for transmission losses.

As you are aware, energy is lost when electricity is transported from one part of the country to another, and the greater the distance travelled, the higher the losses. The costs of these transmission losses therefore vary considerably by geographical location – in an area with relatively low levels of demand and high levels of generation.

The CMA found at least five years ago that the absence of locational pricing for transmission losses is a feature of the wholesale electricity market in Great Britain that gives rise to an adverse effect on competition (AEC), as it is likely to distort competition between generators, raise bills to customers and to have both short- and long-run effects on generation and demand. Their proposed remedy was to require that variable transmission losses are priced on the basis of location, and to assign 100% of losses to generators.

Based on their modelling work and other analysis, the CMA's provisional conclusion at the time was that introducing locational charging for transmission losses would reduce costs and be in the long-term interests of customers. They proposed to implement the remedy by means of an order imposed on National Grid, as system operator, to calculate imbalance charges taking into account transmission losses calculated on a locational basis and according to which 100% of losses would be borne by generators.

Generators in Ireland should expect to compete on this same basis within any single electricity market on the delivered price of power, covering the full cost of interconnector charges. Details should be easily transparent to competitors and consumers.

This is just one example of bias in favour of distributive systems such as wind and solar that appears to introduce distortion into the local electricity market.

3: Security of supply:

The above-mentioned lack of transparency is indicated in this latest call for evidence document. It is disappointing that the Utility Regulator does not acknowledge or ask for comment on the looming crisis in security of supply, in the face of increased demand from data centres. This was even recognised by Ireland's Commission for Regulation of Utilities. We warned of this in previous submissions and it will impact tariffs, directly or otherwise. Will the burden of extra infrastructure, eventually be placed on the backs of consumers via tariffs or taxes?

Given that SONI is parented by Eirgrid and NIE Networks is parented by ESB, it is inevitable that Northern Ireland consumer tariffs will be influenced by the Irish State and its lack of caution in promoting the fast growth of high demand data centres. There was after all, some reason behind the Utility Regulator's decision to launch an inquiry into SONI and its conclusion that "the current governance structure is inadequate to ensure the protection of the interests of NI consumers over the long-term." Security of supply is also endangered by the concentration of payments to the least secure sources of generation.

It is indeed ironic that the Utility Regulator found there was a lack of transparency on how Eirgrid group costs were being assigned to SONI, costs which have risen consistently. Yet the Utility Regulator is unable to provide information requested by members of the public about the amounts of money paid in constraint payments to the wind industry in Northern Ireland. How can informed decisions be made in the absence of such basic information? A lack of transparency continues to be the hallmark of all aspects of energy policy in Northern Ireland.

4: Inappropriate influence on governance:

A recent study carried out by academics from the University of Exeter indicated an inappropriate influence on governance by stakeholders in the energy industry. We raised our concerns about this many years ago. For example, in our submissions to the Northern

Ireland Affairs Committee (and follow-up) on the Inquiry into the Electricity Sector in Northern Ireland. This was obviously ignored albeit such an inquiry acknowledges a problem.

In line with the Aarhus Convention's requirement for the public to have an opportunity to participate when all options are open, the consultation must be meaningful. This should include the zero (or 'do nothing') option – clear costs and benefits laid out including the reasons why those particular options were identified to be presented to the public. Failure of this compliance in the past means that there is no agreed basis for the existing baseline position against which any current consultation can take place. Thus this latest call for evidence is preceded by and founded on previous non-compliance, therefore also lacks compliance itself. To proceed in its absence is effectively to declare a legislative and administrative dictatorship.

The format of this consultation, as so often in the past, is so structured as to assume acceptance of several underlying narratives, including the ignoring of the true economic costs of the proposals. Since we believe these underlying narratives to be wholly or partly faulty, completing the questionnaire in its present form would be to give the false impression of acceptance of these erroneous assumptions. It assumes the need for adjusting tariffs to cater for generation from so called renewable sources whilst miraculously providing value for money to the consumer – a promise that has been often made and just as often broken in the past. It also assumes our acknowledgement that we can grow a green economy whilst replacing fossil fuels with indigenous renewables. It is therefore telling us that there is only one acceptable narrative. Anything to the contrary will be ignored. As established by the Global Warming Policy Foundation, even the IPCC has now demonstrated the failure of this mis-direction.

Under the heading '*IPCC report confirms that climate policies have failed'*, the GWPF notes that, '*Thirty years after the IPCC's first report and despite yearly UN climate conferences it is now beyond doubt that renewable energy policies have failed to halt or slow the relentless rise in global CO2 emissions.*

In the wake of the publication of the IPCC's 6th 'Assessment Report' (AR6) the UK government, like many around the world, will face growing calls to "do more" to reduce emissions of greenhouse gases.

However, these policies have only destroyed industry in the West and exported production and their CO2 emissions to areas still using low-cost fossil fuels, such as China. The conclusion is obvious. Climate policies are failing not because of a lack of political will, but because the technologies selected are extortionately expensive and ineffective, and are already stimulating public resistance.

The gilets jaunes protests in France were an early sign and the recent anti-carbon tax referendum in Switzerland the latest manifestation. The fierce public push-back against Boris Johnson's attempt to ban gas boilers in the UK is another."

What the public are not being told:

Is this yet another consultation based on misinformation and misdirection? As MP Craig Mackinlay said recently:

"I would recommend the government pause for breath before running further and faster to a net-zero electoral disaster based upon uncosted fairytales. It's becoming ever more apparent that the real cost to the 'just about managing' will be huge."

5: Conclusion:

The conclusion by experts such as the GWPF and with which we would fully concur, is to abandon ineffective and unreliable renewables and to follow sound engineering and economic advice on cheaper paths to emissions reduction as the only sensible way forward. An honest evaluation of past decisions and mistakes, including the proper assessment of true costs and measurable benefits as required by both EU and international law, has yet to take place. In their absence, this consultation seems to us to lack credibility and context. Whilst we are happy to engage with the Utility Regulator, this will be outside the confines of this flawed process.

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