

## RenewableNI response to UR's proposed approach to the NIE Networks RP7 Price Control

### Introduction

RenewableNI (RNI) is the trade association and voice for the renewable electricity industry in Northern Ireland. We represent over 40 businesses, fostering knowledge exchange, sharing best practice and supporting policy development. Engaged in wind, solar and battery storage, our members make up a large majority of the renewable industry supply chain.

RNI welcomes the opportunity to respond to UR's consultation on the proposed approach to the RP7 Price Control.

### Policy Context

The UK Government has set in legislation a requirement for a 'net zero' economy by 2050. As the leader in decarbonisation, the power sector will have to achieve zero-carbon first, with heat and transport expected to significantly electricity as the main way of cutting emissions. The International Energy Agency has stated that all advanced economies must achieve zero carbon power by 2035<sup>1</sup> and the UK Government has made a commitment to achieve this<sup>2</sup>

Working in conjunction with Wind Energy Ireland, RNI is committed to driving policy to deliver zero carbon power on the island of Ireland by 2035. This can only be achieved if the necessary level of renewable generation and the required zero carbon system services, are facilitated by the electricity network. This has recently become more crucial as Stormont recently agreed a goal of 80% renewable energy by 2030 for Northern Ireland.

RNI welcomes the publication of [URs consultation on RP7](#), which sets out a proposed approach to NIE Networks Price Control from 1<sup>st</sup> April 2024.

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<sup>1</sup> Pg. 20, [Net Zero by 2050 - A Roadmap for the Global Energy Sector \(windows.net\)](#)

<sup>2</sup> [Plans unveiled to decarbonise UK power system by 2035 - GOV.UK \(www.gov.uk\)](#)

## General Points

RNI acknowledges a focus on minimum cost throughout the document. Considering the renewable energy goals for 2035 and beyond, a focus on what is to be considered a benefit for the medium and long term should also be considered, taking into account that a quicker energy transition is less expensive than a slow one in the long term. RNI notes that a timeframe is not specified for the provision of services at least cost, and it is unclear whether this relates to short term minimum costs, or if a range of timeframes are considered.

RNI welcomes the ambition of making innovation part of “Business as Usual” activities in the long run. However, in the immediate term (which includes the RP7 period), before an appropriate business model is established to enable this, RNI believes it is reasonable that NIE should be allowed to recover the costs of undertaking the research and development of such innovation projects, which in many cases includes running trials for proof of concept. It is noted that during RP6, NIEN negotiated a mid-term ‘reopener’ to secure standalone cost recovery for innovation. Net Zero requires NIEN to be agile and RP7 should therefore include a standalone cost recovery mechanism for innovation. In addition, as renewable energy development is ramping up and new technologies become available, it is not yet possible to determine the true costs for innovation as part of “Business as Usual” expenses. RP7 should allow flexibility for NIEN to be responsive.

RP7 should allow NIEN to make ahead of, or in time investments as opposed to current practice where network investment is lagging behind renewable generation connections. Given the network requirements to meet Net Zero targets, there are very low risks of stranded assets. RNI expects to provide NIEN with pipeline data as well as analysis as when projects are likely to connect. It is important that anticipatory investment receives the necessary planning and completed land and environmental assessments so that the infrastructure can be built out. If the need for capacity is triggered by post-consented applications, the connection timelines will be a bottleneck to reaching targets, even if the development is ready. Aligning these requirements supports a whole system architect approach.

The proposed approach to RP7 highlights uncertainty, and how best to manage uncertainty. RNI acknowledges the importance of this, however also notes that there will always be a degree of uncertainty, due to new technology and other unforeseen factors on the way to net zero. RP7 should take into account that NIE cannot provide certainty for each scenario.

It is noted that there is no proposed review of the Statement of Charges as part of RP7. However, RNI understands that NIEN has been engaging with UR in relation to changing the connections charging methodology to a more shallow basis in order to support the expected widespread transformation of the network to support the connection of distributed low carbon technologies. If this understanding is correct then RNI would suggest that the RP7 basis recognizes this change. In this regard, RNI would support a move to a more shallow charging method as NI generators are at a competitive disadvantage with GB.

It is expected that NI will join the UK Contracts for Difference (CfD) Scheme, with the Department for the Economy (DfE) due to consult on this later this year. If and when NI joins the scheme, consumers here will be liable for the costs. If we continue to charge developers for the full costs of connections bids into the CfD, auction from NI will be higher to cover these costs, with two possible outcomes;

- i) NI developer bids are unsuccessful in the auction meaning local consumers pay the costs of the CfD with no additional benefit for NI, or;
- ii) NI developer's bids are successful and local consumers are locked into higher prices for 15 years than would be the case if we had shallow charging.

NI joining the CfD has the potential to deliver greater investment in renewables and low-cost electricity to consumers, however we must ensure that local projects can compete with those in GB to realise the full benefits.

## General Overview

3.8 UR states that it will adopt a 'no surprises approach'. It would be beneficial if the practical implications of this approach could be further clarified.

## Duration of RP7

3.19 We welcome that consideration will be given with regards to the duration of RP7. While a three-year mid-term review would be welcomed, we believe it would be appropriate for ex-ante costs to be allocated for the full six-year period. This would allow NIEN to better plan for the longer term, positioning them to better prepare and allocate resources for actions contributing to the goal of 80% renewable electricity by 2030.

## Consumer Focus

UR emphasize the importance of consumer engagement in informing policy and service outcomes. RNI agrees that consumer engagement is instrumental to the operation of NIEN. Continuing consumer engagement is also noted as a key aim under section 3.44.

In order to further the positive impact of consumer and public engagement, it is important to allocate a specific budget for public engagement. It is of continuing importance that consumers are aware of NIEN and the service that they provide in light of Net Zero. Should NIEN continue to develop work on public engagement, this will assist in informing customers and stakeholders of the key actors in the NI energy sector, allowing for more informed input on policy matters.

## Delivering the Energy Strategy – pathway to net zero

It is addressed in this section how forecast demand scenarios will be used in order to inform investment plans which are reasonably certain. Two scenarios (Power Play and Flexible Fit) were provided based on different policies and technologies using the Energy Transition Model.

RNI believe that an innovation budget should be provided for the pathway to net zero on a broader basis to account for any future scenarios that do not fit into these scenarios.

RNI welcomes 3.68, which encourages NIEN to consider potential investment beyond 2030 up to 2050. RNI agrees that long term planning is essential in the pathway to net zero. With this in mind, we would again highlight the importance of ex-ante costs to be provided for the full duration of the six-year term, rather than providing this on a mid-term basis.

A further budget for innovation should also be considered with customer focus in mind. Reflecting on RNI's first point provided in the "General Points" section above on lowest cost for consumers, the role that innovation may play should be taken into account in this regard. It should be reflected that in RP6, NIE had received approximately £6 million in innovation funding, which represents a very small percentage of NIE's overall allocated budget. Allowing for this proportionately small expenditure in the short term would likely result in a longer-term benefit for consumers.