



Telephone/Textphone: 028 9067 2488
Complaints Telephone: 0800 121 6022
Fax: 028 9065 7701
E-mail: info@consumercouncil.org.uk
complaints@consumercouncil.org.uk
Websites: www.consumercouncil.org.uk
www.consumerline.org

The Consumer Council

Elizabeth House
116 Holywood Road
Belfast
BT4 1NY

Jody O'Boyle and Karen Shiels
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Our Reference: PD20010 2265

12/05/15

Dear Jody and Karen

**Re: Consumer Council response to the Utility Regulator Draft
Determination to the Price Control 2015 - 2020 for the Electricity System
Operation for Northern Ireland (SONI)**

The Consumer Council welcomes the opportunity to respond to this consultation.

The Consumer Council notes that the Utility Regulator's (UR) overall objective for the price control is *to ensure that SONI can continue to operate the transmission system in Northern Ireland securely and efficiently and at a reasonable cost to consumers*. The draft determination will increase tariffs for a domestic customer in 2015/16 by approximately £1.50 - £1.80 and the Consumer Council stresses the importance of keeping costs to consumers to the minimum level necessary to achieve the UR objective.



INVESTOR IN PEOPLE

The consultation document explains that the UR takes the view that consumers should not be materially impacted by the transfer of the network planning function from NIE to SONI. The Consumer Council believes it is essential that any increases in the SONI 2015 – 2020 price control to support SONI's new network planning function must be mirrored by an equivalent reduction in the NIE RP6 price control. The Consumer Council also seeks clarification concerning how the UR has ensured consumers do not make a double contribution to funding the network planning function given the overlap in the RP5 price control, which runs until 2017, and the SONI 2015 – 2020 price control periods.

The consultation document notes that delivery of the Strategic Energy Framework (SEF) target for 40% of Northern Ireland's electricity consumption to be met by renewable energy by 2020 will have an impact on SONI during the next price control. It also explains that DS3 will see the redesign of the ancillary services arrangements in order to meet the needs of the system in 2020 as a result of the 40% renewable target. In addition, the consultation document states the 2010 – 2015 price control decision paper was set in the context of government targets for increased renewable generation and SONI therefore requested increased resources to manage the increase in renewable generation and associated connections and to cope with significant infrastructure development. It should also be recognized that DETI is currently assessing responses to its discussion paper *CFD Implementation in NI – Strategic Issues* which sought views on the inclusion of Northern Ireland in the Contracts for Difference (CFD) scheme on a UK wide basis.

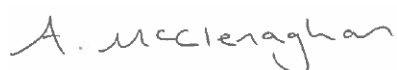
In its response to the discussion paper the Consumer Council recommended that given the significant costs to Northern Ireland's consumers and its economy posed by CFD and Department of Energy and Climate Change small scale Feed-In-Tariff (FIT) scheme, Northern Ireland should not be included in either the CFD or FIT schemes. If the Minister for Enterprise, Trade and Investment decides that Northern Ireland will not be included in the CFD scheme this will significantly hamper the ability for the

region to achieve the goal of 40% of energy consumption generated from renewable sources. Conversely, if the Minister decides that Northern Ireland will be included in the CFD scheme there is no guarantee of increased renewable deployment in Northern Ireland on the basis that the CFD scheme will incentivise the most cost effective renewable projects in the UK and if deployment of renewables in Northern Ireland is not competitive in terms of cost effectiveness, renewable generation will deploy elsewhere in the UK.

The Consumer Council recognises that under both the scenarios outlined above, the SEF 40% renewable generation target may not be reached. The Consumer Council is also aware that the target is not a statutory one and therefore DETI is not legally bound to ensuring its delivery. The Consumer Council is therefore concerned that under the SONI price control draft determination consumers will bear the cost of financing phases one and two of transmission capital projects necessary to ensure the transmission network has adequate capacity and facilitates connections to meet the SEF target. The UR explains that SONI estimates that over the next price control period it will spend approximately £20m+ on Phase 2 Capex preconstruction projects which equates to about £5m per annum. The Consumer Council asserts that consideration should be given to how the price control will be modified if the policy environment changes, resulting in the removal of policy drivers and/or financial incentives for delivering 40% of electricity from renewable sources in Northern Ireland. Therefore, on account of these uncertainties the Consumer Council believes the UR should keep the price control under review to ensure consumers do not pay for unnecessary developments to the network.

If further information is required or to discuss this response please contact me on 02890 674 808 or amcclenaghan@consumercouncil.org.uk.

Yours sincerely



Andy McClenaghan
Senior Policy Officer (Energy)