



**ELECTRICITY SUPPLY BOARD**  
**BORD SOLÁTHAIR AN LEICTREACHAIS**

**REGULATORY AFFAIRS**

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Utility Regulator  
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01/08/2008

**ESB Input to consultation by the Northern Ireland Authority for  
Utility Regulation on Sustainable Development, The Regulator's  
Role, March 2008**

Dear Ms Brady,

ESB welcomes the opportunity to input to the above consultation. This consultation is significant and timely in light of the rapidly increasing emphasis on sustainability issues in energy policy and in particular recent developments at EU level relating to the climate/energy 'package'.

ESB operates in the electricity sector in Ireland and Northern Ireland and Britain. It is our intention to grow our business in the all-island market and in a future regional or all-islands market. Accordingly we have an interest in the approach to sustainable development on the part of NIAUR, including its compatibility with the approach to such matters adopted by the Commission for Energy Regulation and Ofgem. Our input is focussed on electricity issues.

In general the consultation comprehensively addresses all relevant issues. Points which we wish to particularly emphasise are as follows:

1. Carbon dioxide emission from the electricity sector in Northern Ireland must now be considered within an EU energy trading scheme context. In light of the new proposed EU-wide cap on sectors covered under the EU energy trading scheme, further domestic regulatory measures in the electricity sector, for example in seeking to influence the fuel mix in electricity generation, can have no net effect on carbon dioxide emissions to atmosphere.
2. The same point applies in relation to measures aimed at accelerating the penetration of RES, including green tariffs as generally designed to date (recent guidance from Ofgem regarding green tariffs comprehensively addresses the issue of 'additionally').
3. Significantly enhanced energy efficiency is critical to the future sustainability of the energy sector. It is clear that efforts in this area must be accelerated. We fully support the proposal to conduct a strategic review of energy efficiency delivery mechanisms.
4. In order to enhance regulatory certainty in a situation where energy and environmental policy continue to evolve, we support the issuing of statutory guidance on social and environmental matters, following consultation.

Responses to certain *pro forma* questions are attached. We would be very pleased to visit with you and discuss any of these points.

**Yours sincerely**

**Fergal McNamara  
Regulatory Affairs  
ESB**

**Attachment**

Attachment - Consultation Response Pro Forma

Chapter 1
Chapter 3
3.2 Respondents are asked to give their views on the relationship between sustainability and security and diversity of supply.
In relation to electricity, measures aimed at enhancing sustainability in general enhance security and diversity of supply. However, costs, for a variety of reasons, will inevitably be higher than in the past. In addition technical challenges due to the intermittent nature of wind generation, increased small scale generation on the network etc will require to be addressed in order to maintain and enhance the reliability of the electricity system. In the medium to longer term the electrification of the economy including heat and transport, based on substantially decarbonised supply (utilising RES and CCS in conjunction with fossil fuel generation) is the only way in which climate change and energy supply security can be addressed.
3.5 Respondents are asked to consider whether a monetary value of CO2 equivalent or shadow price of carbon ought to be included within guidance on use of business cases.
Yes, but it will be important to avoid double counting in the case of electricity (falls under EU ETS)
Chapter 4
Chapter 5
5.2 Respondents are asked to comment on the appropriate role of and nature of statutory guidance from Ministers to the Utility Regulator.
We agree that at this juncture it is not possible to point to any practical difficulties with current arrangements which are working well. However, in light of the increasing emphasis on sustainability issues in an evolving energy policy debate we consider it appropriate that statutory guidance be issued, following consultation. The focus of guidance should be clarify roles and to increase regulatory certainty for industry participants. The draft Social and Environmental Guidance to the Gas and Electricity Markets Authority, currently under consultation by the U.K. Department for Business Enterprise & Regulatory provides a suitable template.

<p>5.4 Respondents are asked to comment on whether the Utility Regulator should seek to be designated under section 25 (1) of the Northern Ireland (Miscellaneous Provisions) Act 2006.</p>
<p>see 5.2</p>
<p>Chapter 6</p>
<p>6.1 Respondents are asked to comment on the three main roles for the Utility Regulator identified in chapter 6 of this paper as:</p> <ul style="list-style-type: none"> <li>• gathering and publishing evidence,</li> <li>• contributing to wider energy policy,</li> <li>• regulating differently.</li> </ul>
<p>The key concern for participants in the electricity sector is the manner in which the sector is regulated. In our view, uncertainty in relation to how the growing sustainability agenda will impact regulation should be minimised and statutory guidance would be helpful in this regard.</p> <p>Clearly the gathering, analysis and publishing of data in relation to patterns of energy use over time is a prerequisite to the effective development of policies and measures. In the electricity sector provision of available data in an anonymised form should not give rise to an excessive cost burden.</p>
<p>Chapter 7 REGULATING FOR SUSTAINABLE DEVELOPMENT</p>
<p>7.1 The Utility Regulator considers that the following are important when assessing policy proposals. Respondents are asked to score each of the proposals in chapter 7 of this document from 1-10 on the basis of their potential in relation to the following measures:</p> <ol style="list-style-type: none"> <li>1 Potential Certainty of Outcome</li> <li>2 Potential Cost effectiveness</li> <li>3 Certainty for investors</li> <li>4 Potential to provide equity for consumers</li> <li>5 Potential to encourage innovation</li> </ol>

6	Good fit with other NI government departments						
7	Good fit with competitive energy markets						
The proposals are summarised as follows:							
	1	2	3	4	5	6	7
a. Cross utility licence condition requiring licensees to have in place environmental policies.							
b. Cross utility requirement to report annually of sustainability activities and initiatives.							
c. Requirements on licence holders to provide customers with environmental information in relation to fuel mix in a uniform and easy to understand format, on all bills and promotional literature.							
d. Strategic investigation into use of “Smart Meters” as a mechanism for delivering better quality and timely information to customers.							
e. Work with energy licence holders to assess current tariff structures.							
f. Continue to work with partners and stakeholders to ensure renewable generation can be equitably accommodated on the electricity network.							
	1	2	3	4	5	6	7
g. Ensure price control processes take into consideration the effect of climate change on electricity and gas networks.							
h. Carry out a full strategic review of energy efficiency delivery mechanisms							
i. Develop a strategy in relation to gas promotion, which considers the potential benefits of common arrangements for the transmission and							

distribution of gas on the island of Ireland.							
j. Developing sustainability within the NIW price control							
k. Improving our own practices and procedures.							

7.2 Respondents are asked to identify what they consider to be the top three priorities from the above list of proposals and rank them in order of importance.

h  
Energy efficiency is the most cost effective means to reduce energy use and associated emissions. It is of critical importance that barriers to the uptake of cost effective energy efficiency measures are addressed if a significant reduction in emissions from the non-EU ETS sectors of the economy is to be achieved.

Significant decarbonisation and reduction in energy use in the non EU-ETS sectors of the economy will ultimately require the electrification of transport ( via plug-in hybrids and battery electric vehicles) and domestic and commercial heat (via heat pumps) with attendant consequences for the electricity sector at all levels.

f  
This is an urgent priority which is well elaborated in the SEM/08/002 discussion paper.

d  
Smart metering, smart grids and distributed small scale generation are necessary developments, as part of efforts to achieve the level of decarbonisation and energy demand reduction required to address Climate Change. The strategic investigation foreseen could usefully include co-operation/liason with the Smart Metering pilot project currently under way under the auspices of the CER.

7.3 Respondents are asked to list any further proposals which they think should be considered.

In relation to the inevitable requirement to electrify road transport over time as the only practical means to achieve the level of decarbonisation required. The following recommendation contained in The King Review of low-carbon cars, Part II: recommendations for action, March 2008 merits consideration and further study.  
"Recommendation 14: Options to facilitate the efficient use of electric vehicles

(such as smart metering, time-of-day pricing, and fast charging points) should be considered alongside existing work by the Department for Business, Enterprise and Regulatory Reform (BERR) on smart metering in the home and the Government's eco-towns initiative. In addition, BERR, the Department for Transport, and *the power industry should include the impact of electric vehicles on the electricity grid in relevant scenario planning.*"

This could be done in an All Island context.