IWEA response to the Utility Regulator Forward Work Plan (April 2010 – March 2011)

20th January, 2010

IWEA welcomes the publication of the Utility Regulator Forward Work Plan (April 2010 – March 2011) and the opportunity to respond.

At the outset IWEA would like welcome the actions to promote environmental sustainability through contributing to wider government policy including working with DETI in respect of interpretation and implementation of the DETI Strategic Energy Framework (SEF) in Northern Ireland. IWEA also welcome the actions in reviewing of support mechanisms for renewable generation and to progress the implementation of the Renewables Directive. We believe that it is vital that the utility regulators are involved in these processes and that their objectives are aligned with government policy. This provides the platform for efficient integration of renewables into the electricity network.

Security of Supply

The integration of renewables is also essential for issues relating to the security of supply. There is a need for a diverse portfolio of plant in order to maintain security of supply, and the integration of renewable energy can contribute towards this diverse portfolio. Currently there is an over-reliance on the use of imported fuels. In order to protect consumers from potential shortfalls in supply or substantial price increases it is essential that the generation portfolio is diversified. The incorporation of objectives to incentivise the correct portfolio, with continued monitoring of the type of plant and capacity required is an essential requirement to ensure the market provides the correct signals for new generation investment.

Interconnection

IWEA welcome the proposal to develop use of the Moyle **I**nterconnector, and to develop detailed arrangements for trading on future interconnectors. IWEA believes that increased interconnection is to be an important and necessary step in both improving security of the electricity supply and increasing the competitiveness of the electricity market. Interconnection will become a significant new feature of the electricity system, opening up new competitive possibilities and allowing for increased wind generation on the system on the island of Ireland. It is essential that all interconnection complies with European Regulations (Regulation 1228/03)

on cross border electricity exchanges and cross border congestion management, and we encourage the utility regulators to work towards ensuring this.

Market Integration

The action of working with FUI Group/Ofgem to enable further market integration of BETTA/SEM markets is also important. Increased market integration with neighboring electricity markets will allow for increased penetration of renewable energy onto the grid with the ability to sell electricity to a wider market. It also benefits the consumer with increased levels of competition. Detailed investigation will be required to determine the most efficient way to integrate markets that don't currently operate in the same manner. However it is vital in delivering improvement in the operation of SEM that consideration is given to any level of uncertainty that may be introduced that may undermine the strategies and abilities of market participants (generators and suppliers) to invest and contribute to the development of the market. It is vital that the appropriate medium to long-term investment signals are in place for all.

Investment in the future needs to incorporate bringing the transmission and distribution systems to areas where renewable electricity can be generated. Inevestment in the future also requires provision of infrastructure to maximize the use of our natural resources in order to support national energy policy of achieving renewables targets.

Deregulation

The complete deregulation of the electricity market is essential in order to have a fully competitive market. The encouragement of all suppliers in the market to develop innovative tariff products and to compete on tariff structures, quality of service, etc. will increase the level of competition.

Smart Metering

The implementation of smart metering will allow the customer to have more control over when they use their electricity and the prices that they pay. This encourages greater use of cheaper sources of energy such as wind power, at off-peak times and is therefore a welcome development in solving some of the issues associated with variable generation and peak loads. Greater levels of demand management through smart metering and demand shifting will enable the system to be operated more efficiently when there are high levels of wind generation connected. IWEA welcomes the action to carry out further work in the development of smart metering.

Transport

There has been no mention of transport in the Forward Work Program, however IWEA think it is essential that the use of electricity in transport is considered. This area is likely to grow in the near future and it is important to plan for it at this stage. This should be addressed by ensuring that modification of the electricity distribution would take place to allow for charging points of electric vehicles, as well as including pricing structures to enable cost-effective charging of the vehicles.

Safety

Safety is paramount in the supply of electricity and ensuring the enforcement of safety compliance is essential. Ongoing development and improvement of safety standards is very important, especially in areas of new technologies or growth where previous standards may not exist. IWEA believe that there should be required standards of safety for connection to the network.

Conclusion

IWEA welcomes the publication of the Utility regulator Forward Work Program, and the opportunity to comment on it. The work plan recognizes the importance of environmental sustainability by promoting sustainability and security through working with utility companies to take account of environmental impact of the services they provide and assessing options for optimising the existing energy infrastructure. By addressing issues such as interconnection and market integration there is more capacity for wind generation on the electricity system. This in turn leads to increased security of supply. We also welcome the actions to work with DETI to review support mechanisms for renewable generation and to progress the implementation of the Renewables Directive. We believe that it is vital that the utility regulators are involved in these processes and that their objectives are aligned with government policy.