

Elena Ardines  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED.

09 September 2011

Dear Ms Ardines,

Please find enclosed the comments of NIRIG in relation to the Utility Regulator discussion paper entitled "Reflecting on our Corporate Strategy 2009-14". The Northern Ireland Renewables Industry Group (NIRIG) is a joint collaboration between the Irish Wind Energy Association (IWEA) and Renewable UK. NIRIG represents the views of the large scale renewable energy industry in Northern Ireland, providing a conduit for knowledge exchange, policy development support and consensus on best practice between all stakeholders in renewable energy. We welcome the opportunity to comment on this mid-term review of strategy.

Our comments are set in the context of statements taken from the discussion paper. In summary, NIRIG believes that the successful delivery of a significant renewable generation portfolio in Northern Ireland will reduce electricity wholesale prices, will improve security of supply and will introduce wider economic benefits to Northern Ireland. The construction of necessary grid infrastructure, in particular the North-South interconnector, and the retention of appropriate support mechanisms will be crucial to the development of renewable generation in line with the Strategic Energy Framework.

Feel free to contact me if you would like to discuss the contents of our response.

Yours sincerely,



Chairman  
NIRIG

## Key developments - impacting on challenges and drivers since 2009

*the level of fuel poverty in Northern Ireland has increased in the last few years*

NIRIG acknowledges the impact that increased energy prices has on vulnerable consumers and is firmly of the opinion that renewable generation can deliver a diversified generation portfolio which can in turn hedge against increasing fossil fuel price. In addition, there is a growing body of evidence which indicates that increasing levels of wind power reduces the system marginal price within the SEM.

*work on the next electricity network price control (RP5) has commenced and will consider carefully the level of investment required and medium term plan for renewable integration.*

NIRIG welcomes the recent engagement by the Utility Regulator with stakeholders in relation to RP5 and welcomes the assurance that careful consideration will be given to the integration of renewables. Infrastructure development has a long lead time and NIRIG would urge the Utility Regulator to ensure that NIE are given the resources required to develop necessary infrastructure in a timely manner. This is particularly important in relation to infrastructure development which is proposed beyond the timescales of RP5 but for which preparatory work is required during the forthcoming price control period.

*the Strategic Energy Framework (SEF) was published by the Department of Enterprise, Trade and Investment (DETI) in 2010, and set a target of 40% electricity consumption from renewables by 2020.*

NIRIG would wish to reinforce that the SEF is a key foundation policy issued by DETI which in turn has the full support of the Northern Ireland Executive. NIRIG believes that is a key responsibility of the Utility Regulator to ensure that the right conditions are put in place to facilitate the delivery of the SEF.

*market development has enabled: (1) increased trading across the interconnector to Scotland – the export capacity of the Moyle interconnector increased from 80 MWs to 300 MW and, (2) the planning of a future East-West interconnector to Wales.*

NIRIG welcomes developments with regard to both interconnectors but would further comment that of equal, if not more, importance is the North-South interconnector. The North-South interconnector will improve market integration through the removal of system constraints which currently distort the market. All stakeholders, not least of which is the Utility Regulator, need to continue to support the development of this infrastructure in a timely manner.

*the Department of Energy and Climate Change (DECC) have issued electricity market reform proposals, with potential implications for the carbon tax and the Renewables Obligations Certificates regime.*

NIRIG has been actively engaging with DECC and DETI regarding the reform of the electricity market and welcome the engagement of the Utility Regulator in the debate. NIRIG believes that the Utility Regulator can add significant value in terms of assessing the implications of market reform proposals in the context of the SEM.

## Impact on our Corporate Strategy (in relation to themes)

*we will continue to enhance our understanding of utility companies' costs through cost reporting and monitoring.*

NIRIG welcomes the commitment by the Utility Regulator to continue to closely analyse the cost base of the utility companies. Costs however are only one half of the equation and NIRIG would encourage the Utility Regulator to develop appropriate financial models to complete effective cost benefit analysis of the potential benefits of additional expenditure by the utilities.

*given the greater emphasis on sustainability, the need to mainstream this in our work is paramount.*

*our scrutiny will take account of the SEF objective (of 40% of electricity generated from renewable sources by 2020 – this is currently around 10%) while balancing this with any impact on costs to consumers.*

NIRIG believes that, within Northern Ireland, the single biggest contributor to sustainability will be the implementation of the SEF target of 40% of electricity consumed to come from renewable generation. There is no doubt that reaching this 40% target will require additional spend on network infrastructure which could potentially increase costs to the consumer. NIRIG believes however that these costs will be offset by the savings realised through reduced average electricity prices and improved security of supply (i.e. hedging against fossil fuel price increases). We appreciate that these savings need to be demonstrated and NIRIG is undertaking a programme of work to analyse the impacts. We would encourage the Utility Regulator to independently consider completing appropriate cost benefit analysis.

*we will work with DETI to ensure that any new and revised support mechanisms for renewables in NI are fit for purpose.*

NIRIG is keen that any new support mechanisms introduced are properly tested in the context of the SEM and any further proposed market reforms in the context of the EU framework guidelines on market harmonisation. NIRIG believes that the Utility Regulator can make an important contribution to the assessment of any such mechanisms.

*ultimately, the best way to protect vulnerable consumers is by limiting or preventing price increases through effective regulation of monopolies and the promotion of competition.*

NIRIG would not disagree that effective regulation and promotion of competition in energy supply helps protect vulnerable consumers, however, we would contend that a cost effective, diverse and competitive generation mix will also contribute to this protection.