

## **NIRIG response to NIAUR consultation on the overall approach to NIE plc Transmission and Distribution 6<sup>th</sup> Price Control (RP6)**

**4 November 2015**

The Northern Ireland Renewables Industry Group (NIRIG) is a joint collaboration between the Irish Wind Energy Association and RenewableUK. NIRIG represents the views of the large and small scale renewable electricity industry in Northern Ireland, providing a conduit for knowledge exchange, policy development support and consensus on best practice between all stakeholders in renewable electricity. Our membership has built, developed or owns the vast majority of renewables development in Northern Ireland.

We welcome the opportunity to respond to this consultation on the overall approach to the RP6 price control for NIE.

### **General points**

- At the core of the Northern Ireland Executive's Strategic Energy Framework (SEF) targets is 40% of electricity consumption from renewable energy sources by 2020. It is crucial that the proposed approach facilitates this target.
- There is a requirement for NIAUR to support the implementation of the 2009 RES-E Directive, which states that member states shall develop transmission infrastructure to accommodate the future development of electricity generation from renewable energy sources. It also requires that system operators provide renewable generators with a reasonable indicative timetable for grid connection. These requirements are not made clear in the RP6 approach
- We welcome the greater formal interaction between NIE and NIAUR at the early stages of this price control and hope that this reduces the chance of delays in finalising RP6. We are very keen that this price control be delivered in a timely manner and urge close collaboration between NIE and NIAUR, with clear objectives for the price control
- We welcome the consideration given to a longer price control timeframe, and believe it will allow for better planning
- It is clear that the formation of a Consumer Engagement Advisory Panel (CEAP) has helped inform the NIAUR approach to RP6. We note, however, that no equivalent exists for other NIE customers, specifically electricity generators and those seeking connections to the

network, or indeed those with a longer-term strategic view of network requirements. This has created a degree of inconsistency in the approach between generators and consumers. We urge a similar formalised advisory panel be created for other stakeholders, including NIRIG, to ensure a balanced approach to the price control

- The results of the CEAP research have not been published and this makes it virtually impossible to comment on elements of this document without understanding the information on which it is based. We urge that in the interests of transparency the results of any research that inform such a significant document be published.
- The draft approach refers to the Strategic Energy Framework as a devolved policy on energy. To this should be added the Regional Development Strategy - Building a Better Future 2035; and the Sustainable Development Strategy, which seeks to deliver a secure & sustainable energy supply, reduce our carbon footprint and facilitate mitigation and adaption to climate change whilst improving air quality, all of which are relevant to electricity generation.
- Consultation processes need to be improved and we see no mention of this in the RP6 approach. The cluster consultation process required 5 years and 4 consultations and yet still left crucial issues unresolved. Contestability is long overdue and despite industry recommendations began with high-level consultations, meaning that it is now unlikely that it will be introduced within a reasonable timeframe. Not only this, but some key principles were left unresolved by NIAUR, which could lead to NIE re-consulting on the same issues. The current consultation process is laborious and inefficient.
- In general, flexibility and innovation should form an integral part of any price control. The consultation makes clear that policy changes impact upon network requirements. Given that policy lies outside of the remit of NIE and NIAUR there should be built-in ability to be responsive.
- Consideration of RIIO (Revenue using Incentives to deliver Innovation and Outputs) could be of value in enabling flexibility. This model is designed to encourage energy network companies to play a full role in delivery of a sustainable energy sector; and deliver value for money network services for existing and future consumers
- Regarding connections, the function of NIE Networks includes the facilitation of connection in the supply and generation of electricity. However, recent discussions implying a requirement for Lloyds accreditation in delivering contestable connections will lead to much more limited competition than is desirable.
- Furthermore, grid connection and access for new generation is not given sufficient weight in this approach. Timing of connections is also crucial. Therefore consideration needs to be given to network development, including maximisation of current capacity, that allows efficient and timely grid access.

### 3 Overview of our Price Controls

#### *Aims and objectives of RP6*

**3.9** NIRIG has serious concerns that the remit of NIAUR has been interpreted so narrowly:

*“ensuring that costs are minimised for customers is therefore one of the main aims of a price control”.*

A cost-minimisation approach for this price control could easily lead to problems for future consumers and government policy targets if appropriate maintenance, future-proofing, carbon reduction and resilience and security requirements are not met. NIRIG would recommend that the regulatory framework and decision-making within RP5 take account of the long-term needs of consumers and investors and focus on methodologies that enable the development of infrastructure to provide specific results, rather than focusing on short-term cost-efficiency.

**3.12** We believe that the objective to

*“incentivise network development to evolve with changes in electricity industry e.g. DSU, renewables, DS3”*

is inappropriate. Instead we recommend the following:

*“Deliver networks that facilitate increased and efficient integration of renewables” and;*

*“Incentivise network development to evolve in a timely manner to initiatives that support a more secure, responsive and sustainable electricity industry”*

### 4 Our approach to key areas

#### *General overview*

**4.2** We welcome that the objectives to be delivered will be tailored to take account of the needs of local consumers both today and the future. The recognition given to the need for planning work to support the effective and efficient delivery of service into the longer term is important, but is somewhat at odds with 3.9, where the focus appears to be on short-term consumer costs.

**4.8** We welcome the intention to *“keep the regulatory burden to a minimum”*.

#### *Information requirements*

**4.14** We believe that continuing to use and build on the information requirements that we have already developed for annual/cost reporting is appropriate

#### *Consumer engagement and stakeholder involvement*

As noted earlier, the consumer and stakeholder research has not involved the renewable electricity industry, the fastest-growing NIE customer sector. This appears to be a significant oversight. The

terms of reference mentions customers and stakeholders. However, the absence of formal engagement with the renewables sector highlights that the definition of these is not complete.

Furthermore, the results of the research have not been published, to our knowledge. In the interests of transparency we note that the research should have been published alongside the consultation.

### ***Developing meaningful consumer measures***

It is difficult to comment on this section without being able to see the findings of the research.

### ***Outcomes/outputs***

**4.48** As part of delivering service ‘adequate capacity in the network and/or processes in place to allow consumers to connect and economic growth to be sustained’ is included as an outcome, although again this does not include any reference to generation connections, which is a clear omission.

**4.49** Under ‘General activities’ the outputs include the quantity of network replaced or refurbished or the number or capacity or connections which will be made during the period. These are designed to ensure that investment is delivered and provides experience which allows links between investment and service to be developed in the longer term. We believe that these should be core strategic activities and named as such.

**4.51** Again here the emphasis on what consumers need and are willing to pay for ignores the requirements of key stakeholders such as renewables requiring connection. Without seeing the results of this research it is impossible to comment on the adequacy or otherwise of the outcomes and outputs. It also appears to put emphasis on short-term needs, which we do not believe to be appropriate.

### ***Asset management***

**4.54** Maintenance here emphasises maintaining current levels of service provided to consumers in the medium to long-term. Without knowing the methodology used in the consumer research it is hard to know whether this accounts for improvements in the baseline that may not be seen directly by consumers e.g. a decarbonised electricity system. It is therefore difficult to comment.

**4.56** We welcome the increased requirement to self-assess asset data, management and capability within NIE. Publication of these assessments would be valuable in order to support increased transparency and understanding of the asset base.

**4.63** We suggest that DETI engages with NIE to support this forward planning.

**4.66** Investing for growth is crucial. This includes investing for the long-term decarbonisation of the electricity sector. Decarbonisation of this sector will be the cheapest way of reaching our 2025 targets of reducing carbon emissions by 35% on 1990 levels: an Executive target.

**4.67** Engagement with industry, particularly the renewables sector where connection demand has grown most rapidly, would be welcome here. It will be a crucial element of scenario planning and we suggest that happens formally and begins as soon as possible.

**4.68** We cannot comment on this approach without knowing the results of the CEAP research.

**4.69** As 4.68.

### ***Incentives***

Any introduction of incentives must lead to results. For example, there has been no progress on a rebate policy despite 3 years of requests and meetings by the renewables industry. It is difficult to say whether incentives could have improved this situation, or whether better regulatory engagement would have done so. We would therefore state that appropriate regulatory oversight and engagement should not require excessive use of incentives.

### ***Delivering innovation***

Incentives are one way of encouraging innovation. However, this can easily be stifled by excessive requirements to justify immediate or short-term cost-benefit outcomes. The RP5 pilot on managed connections required a prolonged period of engagement between UR and NIE, despite the clear overwhelming demand for new connections. We also point out that innovation could be required within timelines dictated by policy over which neither NIE nor NIAUR have any control. Efforts should be made in these circumstances to allow flexibility, which is a key element of innovation.

**4.92** We agree with the statement *‘the purpose of any innovation must be to reduce costs and/or to improve outputs that benefit customers’*. It must be made clear, however, that customers consist of both consumers and generators.

Should you have any queries on the above response please do not hesitate to get in touch.

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**NIRIG**