

Sarah Brady
Social & Environmental Branch
Utility Regulator
Queens House
Queen Street
BELFAST
BT1 6ER

01 August 2008

Dear Ms Brady,

Northern Wind Power, as a subsidiary of ESB International, is keen to develop renewable energy projects in Northern Ireland and is actively pursuing this aim. As a company we welcome the opportunity to comment on the consultation paper "Sustainable Development - The Regulator's Role".

Renewable energy has been identified as a key policy area within Northern Ireland, the UK as a whole and the European Union. It is therefore vital that appropriate policies and guidance are put in place to ensure that national and international renewable energy targets are met. We welcome the Regulator's interest in this area and its intention to make an active contribution to the sustainability of Northern Ireland.

Please do not hesitate to contact me if you have any queries regarding our response or require any further information.

Yours sincerely,

A handwritten signature in black ink that reads "Gary Connolly". The signature is written in a cursive, flowing style.

Gary Connolly
Northern Wind Power
☎ 07515 059116

Consultation Response Pro Forma

<i>Chapter 1</i>
1.1 Respondents to the consultation are asked to comment on whether or not they think any of the proposals in this paper would impact on equality of opportunity or good relations for any of the Section 75 Groups.
There do not appear to be any proposals which impact on equality of opportunity.
<i>Chapter 3</i>
3.1 Respondents are asked to comment on the balance between present and future climate change costs.
Long term advantage will be obtained from front loaded capital investment e.g. the electrification programme in the second half of the 20th Century. Long life projects such as the development of an improved infrastructure to facilitate the connection of renewable generation will benefit customers for a significant period in the future and therefore future customers should be expected to share the burden of the initial capital investment.
3.2 Respondents are asked to give their views on the relationship between sustainability and security and diversity of supply.
Long term dependence on gas and oil is not sustainable as both are a finite resource. Electricity supply is currently secure but there is evidence that the level of security is reducing e.g. interrupted gas supply from Eastern Europe. As acknowledged there are known challenges associated with wind generation and security of supply. Given that, currently, only 5.6% of energy in Northern Ireland is supplied by renewables, there is scope for increased renewable generation and the SEM can only increase this potential. Wind is one of the easiest and quickest generation systems to install and has a valuable role to play in providing generation capacity. There will be challenges for the system operator to accommodate increased renewables within the network – network reinforcement and a different generation mix e.g. increased use of peaking plant will help meet these challenges. Full advantage of locations where transmission infrastructure is stronger needs to be taken and current connection application procedures may need to be reviewed to reap the potential benefits

3.3 Respondents are asked to give their views on the degree to which sustainability issues should drive the Utility Regulator’s first NI water price review.

No comment to make

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.

Northern Wind Power believes that it is inevitable that the cost of carbon will be a major consideration in relation to future development. It is therefore reasonable to allocate a monetary value against CO₂ generated or recovered by future projects. Pricing of such a carbon cost is beyond the expertise of Northern Wind Power.

3.6 Respondents are asked to indicate their preference for inclusion of “carbon footprint” monitoring and target setting within the new regulatory contract at the first NIW price review.

No comment to make

3.7 Respondents are asked to consider the benefits of going beyond the “Economic Level of Leakage”, possibly by the inclusion of the carbon shadow price in calculations.

No comment to make

3.8 Respondents are asked to consider the degree to which NIW should be incentivised to increase its uptake of renewable energy and reduce its non-CO₂ gas emissions and mechanisms by which this might be achieved.

NI Water is an intensive user of energy in NI and its prominent position and status as a government company place it in an ideal position to “lead from the front”. Innovative use of its land and water resource to maximise in-house generation of electricity should be encouraged by the Regulator through providing the necessary framework to permit such development. The existing and proposed Renewable Obligation should provide sufficient incentive.

Chapter 4

4.1 Respondents are asked to rate the following existing instruments from 1-10 (1 being poor 10 being excellent) for the following characteristics:

- A Profile (do enough people know about the work)**
- B Ability to protect customers**
- C Ability to influence consumers to be more energy / water efficient or change to a lower carbon fuel**

Measure	Profile	Ability to protect customers	Ability to influence
The NIE SMART Programme	3	3	3
Gas Industry Promotion			
The Energy Efficiency Levy			
Price Controls	4	8	7
Key Pad Metering	8	6	4
Energy Efficiency Advice Provision	5	8	8
NIW Sustainability Report			
NIW Environment Management System			
NIW promotion of water efficiency			

Chapter 5

5.1 Respondents are asked to comment on the balance of the Utility Regulator's duty to protect present and future customers.

It has been recognised by the Regulator, the All Island Grid Study and the wider electricity industry that one of the major restrictions in renewable energy development is the limited capacity of the transmission infrastructure. The current infrastructure was developed principally in the 60's and has served the wider community well since then with minimal investment in terms of extension or future provisioning. Proactive development needs to be encouraged using regulatory instruments to build a network which can supply sustainable energy to current and future generations. It is recognised that, from the Regulator's perspective, there is a conflict between working towards the needs of future customers and protecting existing customers from high levels of expenditure.

5.2 Respondents are asked to comment on the appropriate role of and nature of statutory guidance from Ministers to the Utility Regulator.

Northern Wind Power agrees with the stance of the Regulator in that it should implement ministerial policy as laid down by statute. In the context of renewable generation, a coordinated and agreed approach across all departments and authorities is needed to ensure achievement of the relevant targets.

5.3 Respondents are asked to highlight actions that they consider might be appropriate or necessary, but that could not be taken under the Utility Regulator's existing powers.

The Regulator currently does not appear to have a primary role relating to the sustainability of the energy sector. Energy security and sustainability is a lynchpin of current government policies and there is a danger that, if the Regulator does not adopt a sustainability role, it could be working at odds to government objectives in this area.

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.

This is a technical issue and it is beyond the knowledge and expertise of Northern Wind Power to offer a reasoned opinion.

Chapter 6

6.1 Respondents are asked to comment on the three main roles for the Utility Regulator identified in chapter 6 of this paper as:

- **gathering and publishing evidence,**
- **contributing to wider energy policy,**
- **regulating differently.**

The Regulator is in an unique position to gather information and data and Northern Wind Power welcomes the collation of data which can contribute to managing the energy challenge. It is however worth highlighting that a need for data should be established before the information is collected and analysed.

The regulator has useful experience regarding all of the utilities and it would be unwise of policy makers not to take onboard any comment and advice from that source. Northern Wind Power would encourage the Regulator to consider electricity as well as gas as a potential contributor to the transport sector.

6.2 Respondents are asked to comment on data, which would be useful but, which is currently unavailable on a regular basis in Northern Ireland.

Northern Wind Power has no comment other than it is vitally important to establish a need prior to the definition of the data collection process. There is always the danger that data can be collected to provide a solution to an unasked question.

6.3 Respondents are asked to suggest innovative methods of developing and promoting the gas industry as a means of reducing Northern Ireland's carbon foot print.

No comment to make

6.4 Respondents are asked how the solid fuel and oil industries could contribute to social and environmental sustainability? In addition what approach will best achieve this aim?

No comment to make

6.5 Respondents are asked if the regulatory model used to develop the natural gas network could provide lessons for the promotion of efficient and coordinated heat networks? Do respondents believe that better regulation could aid the development of the community heat industry?

No comment to make

Chapter 7

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:

- 1 Potential Certainty of Outcome**
- 2 Potential Cost effectiveness**
- 3 Certainty for investors**
- 4 Potential to provide equity for consumers**
- 5 Potential to encourage innovation**
- 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.	7	6	9	6	7	8	8

	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.

1. Electricity Networks and Access for Renewables
2. Encouraging Energy Efficiency
3. Giving Better Information to Customers

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