



**Response by Energia to the Utility
Regulator Draft Determination on RP5**

***Northern Ireland Electricity Transmission and
Distribution Price controls 2012-2017***

19 July 2012

1. Introduction

Energia welcomes the opportunity to respond to this Draft Determination issued by the Utility Regulator (UR) in respect of the Northern Ireland Electricity (NIE) Transmission and Distribution Price Controls, 2012-2017.

This purpose of this response is twofold;

1. To endorse the submission to this consultation made on behalf of the Northern Ireland Renewables Industry Group (NIRIG). Energia is a member of NIRIG.
2. To highlight a number of key concerns with respect to matters arising from the UR's Draft Determination. The specific comments made herein are without prejudice to our endorsement of the NIRIG response.

As no further discussion is required with respect our endorsement of the NIRIG response, the remainder of this brief one-page submission focuses on key concerns arising from the Draft Determination.

2. Specific Comments

1. Delays and the risks of further delay should be minimised as part of this ongoing process. Failure to achieve this will have negative consequences for;
 - a. the perception of regulatory risk;
 - b. investor confidence;
 - c. the international attractiveness of Northern Ireland as a location for investment;
 - d. the electricity Network (Transmission and Distribution networks); and
 - e. customers.
2. Delays will also have an adverse impact on the significant volume of work required to be undertaken by UR and on their ability to function in a "business as usual" context. In light of the forthcoming challenges for the SEM and its evolution, it is a concern that sufficient resources may be unavailable. It is in the industry's interest to have a well resourced regulator.
3. It is paramount that regulatory decisions with respect to networks are suitably cognisant of the characteristics of such investments and the need for long-term planning with respect to them. It should also reflect the current physical condition of the network. The UR's objectives with respect to the forthcoming decision should reflect this and not be overly reliant on short-term considerations. With respect to network investments, it is widely accepted that strategic underinvestment in the near term merely transfers the costs, as well as increasing the associated risks, to future decision makers and customers.
4. With respect to the Northern Ireland Executive's Strategic Energy Framework (SEF), the target set is for 40% of electricity consumption to come from renewable energy sources by 2020. It is necessary that any decision taken by UR with respect to RP5 does not knowingly frustrate the objective of the SEF, either through the imposition of avoidable administrative delays/burdens, or by including inefficient financial incentives into the price control.