



NORTHERN IRELAND CHAMBER OF COMMERCE

Response to the Utility Regulator's (UR) Draft Determination on Northern Ireland Electricity Transmission and Distribution Price Control 2012-2017 ("RP5").

Introduction

Northern Ireland Chamber of Commerce (NICC) has a membership of 1,000 encompassing the full spectrum of business from micro enterprises to large manufacturing companies. One of the leading business organisations, the Chamber is pro-active in representing the views and concerns of its membership on issues central to the performance of the economy. Central to the Chamber policy agenda is the re-balancing and re-building of the local economy so that Northern Ireland is an attractive place to do business and invest in.

The Chamber welcomes the opportunity to respond to the Utility Regulator's (UR) Draft Determination on Northern Ireland Electricity Transmission and Distribution Price Control 2012-2017("RP5"). Energy remains a cause of serious concern to business and industry here and we welcome on-going work by UR to reduce costs for business customers, increase competition and to enhance security of supply.

We look forward to continued engagement with the UR and other key energy stakeholders to ensure that energy policy and regulation is focused on delivering the best outcomes in terms of costs, return on investment and security of supply for business customers.

Response

Investment in infrastructure that supports economic development

Strategic decisions made about asset replacement and renewable generation in the next five years will determine the shape of the Northern Ireland economy, its exposure to future global energy price rises and the competitiveness of local business.

The significant divergence between the Regulator and NIE figures, particularly in the area of capital expenditure, is striking, as is the proposal to approach large renewable and interconnection projects on a 'case by case' basis. Without providing a detailed commentary on the figures, the Chamber believes that any final determination needs to balance the current and future interests of local business.

Infrastructure that supports economic development – transport, energy, construction and digital technology is a crucial part of ensuring we remain competitive into the 21st century. In particular, as nearly one third of NIE's network assets are already between 45 and 80 years old, future business

success depends upon the timely delivery of investment that ensures Northern Ireland's electricity network retains its current high performance.

While infrastructure investment does have an upfront cost there are associated benefits for local business, especially the construction, engineering and professional services sectors which have been impacted by the recession. The supply chain benefits of a scale proposed by NIE could go a long way to stimulating the local economy, a principle that is recognised both in the *Programme for Government* and the most recent *Investment Strategy* produced by the Northern Ireland Executive.

As well as promoting economic growth, a secure sustainable energy system will enable local businesses to exploit opportunities in new 'smart' technologies and, critically, optimise the use of renewable energy sources. This is of particular importance given Northern Ireland's over reliance on imported fossil fuels.

The potential of technology in enabling businesses from large manufacturers to micro businesses, manage their energy use and ultimately their energy costs, needs to be prioritised. While the focus on driving down businesses 'top line' energy costs over the next five years is welcomed, consideration needs to be given to energy costs in the medium to long term.

Indigenous renewable energy can and should be exploited for sustainability and security of supply reasons. Recent diplomatic and commercial developments, shows the export potential for energy from this Island and Northern Ireland needs to position itself to grasp this opportunity¹.

Investing in work force renewal and development

The Chamber's response to the Executive's Investment Strategy 2012 emphasised the need for continued high-level investment in skills, including management and leadership development, and training. Such investment is essential to ensure the competitiveness of existing companies as well as attracting and retaining the highly skilled workforce required to deliver the gear change that our economy requires.

Northern Ireland has significant and world class manufacturing/engineering and competitive businesses in areas such as aerospace, transport, scientific instruments, biotechnology and, of course, mobile crushing/screening/recycling machinery.

In addition, the region has a developing environmental engineering/renewables sector. If we are to position NI as an area of environmental engineering excellence with a strong export potential, we need to incentivise businesses appropriately so that expertise is not lost to Scotland and the Republic of Ireland for example.

The burden of Regulation

In *Our Manifesto for Growth* the Chamber called for 25% reduction in red tape and unnecessary regulation which has cost Northern Ireland 2.4bn. While the Chamber accepts the need for effective

monitoring procedures and clear lines of accountability for public funds and customers' money, we believe that there needs to be a greater acceptance of business risks and the facilitation of innovation.

The Chamber would like to see clear evidence that the regulatory framework outlined in the determination will not prevent NIE from conducting its business with the flexibility and autonomy necessary to plan and execute asset replacement strategically for the benefit of the local economy.

Conclusion

As well as constituting twenty four per cent of the overall price of electricity to consumers for the next five years, the outcome of this price control will also determine the quality and rollout of energy infrastructure, Northern Ireland's success in achieving economic and sustainability targets and the security of our energy system.

It is essential that the outcome of this price control delivers the right investment signals to local businesses facing their next electricity bill as well as to global markets. Investors need to have the confidence which will enable NIE to finance its investments efficiently. Our members need to have the confidence that they are not paying above the odds for their electricity or for the investment required to ensure an economically sustainable secure energy system that will deliver for current and future consumers.

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ⁱ The Irish Minister for Communications, Energy and Natural Resources Pat Rabbitte TD and DECC Minister of State Charles Hendry MP have agreed to develop a Memorandum of Understanding on renewable energy trading and gas market planning procedures. The MoU should be in place by the end of the year. Element Power was the first Irish company to secure an energy grid connection to the UK. It hopes to start exporting renewable energy directly into the UK grid by 2018.