

NIRIG response to NIAUR Draft Corporate Strategy 2014-19

and

Draft Forward Work Programme 2014-15

18 February 2014

Introduction

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 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. NIRIG welcomes the opportunity to respond to the NIAUR Corporate Strategy 2014-19 along with the NIAUR Draft Forward Work Programme 2014-15. Given the close linkages between the two we are responding in a single document.

Corporate strategy 2014-19

General comments

NIRIG appreciates the engagement with NIAUR in the development of this Corporate Strategy and the inclusion of some of our input in this next 5-year strategy. We also welcome some areas of progress highlighted in the last Corporate Strategy, including the work done with CER to develop the SEM and to advance the new European regional electricity market. We welcome the investment that allowed a 62% increase in the proportion of renewable generation. We look forward to building on these developments throughout the next 5-year strategy.

We believe that the energy sector is growing in complexity as market reforms affect Northern Ireland from the UK and across the island of Ireland. Complexity also arises from the increasingly diverse sources of electricity generation that the NI grid is accommodating.

In this light we wish to state our commitment to collaborating and co-operating with NIAUR and other key stakeholders to facilitate appropriate and timely network infrastructure build and policy development.

NIRIG further believes that sustainability should be both explicitly and implicitly contained within the NIAUR strategy. It could be argued that it is sufficient to hold sustainability as a cross-cutting theme across all of the Regulator's work. However, cross-cutting themes can be difficult to monitor and measure, challenging to explain and someone nebulous in application. We believe that unless and until any organisation has a very strong foundation in the understanding, day-to-day application and ability to measure the success of a cross-cutting theme, specific measures should be put in place to ensure that the sustainability objective is achieved.

Strategic Context and Policy Framework

The Corporate Strategy notes the publication of the SEF and Programme for Government as policy developments since the last corporate strategy. We would encourage inclusion of references to two other Executive and Departmental Strategies: the Regional Development Strategy (RDS)¹ and Sustainable Development Strategy (SDS)² as key policies that highlight the need for sustainable development. The Regional Development Strategy contains a key objective to:

- Deliver a sustainable and secure energy supply (RG5)

This specifies the need to increase the contribution that renewable energy can make to the overall energy mix and also the need to strengthen the grid.

The SDS objectives include:

- Ensuring reliable, affordable and sustainable energy provision and reducing our carbon footprint
- Driving sustainable, long-term investment in key infrastructure to support economic and social development

The NIAUR Corporate Strategy also refers to the European Renewable Energy Directive, which provides priority dispatch for renewable energy. We note that at times of high wind in NI wind generators are regularly curtailed while the Moyle interconnector imports electricity from GB. We would request clarity and action on the issue of how the treatment of wind and interconnectors in NI will fulfil this Directive.

¹ http://www.drdni.gov.uk/rds_2035.pdf

² http://www.ofmdfmi.gov.uk/sustainable-development-strategy-lowres_2_.pdf

Objectives

Objective 1

NIRIG welcomes the aim to promote innovative utilities. However, we believe that innovation can only flourish with appropriate flexibility, a forward-thinking approach and availability of funding. In the recent Competition Commission RP5 proposed determination very little allowance was provided to NIE for innovation and we do not believe that this will support the intended aim of the NIAUR corporate strategy to promote innovation.

We do not believe that innovation will truly be embedded in the working practices of any utility unless it is accompanied by appropriate financing. This could take the form of an allowance of specific funds for pre-identified thematic areas such as the Low Carbon Network Investment Funds in GB or an overarching allowance for utilities to explore new avenues to improve service provision, technical innovation or management practices. NIRIG would encourage in particular an emphasis on innovation with respect to smart grid solutions. This would be a forward-thinking, efficient and potentially very cost-effective method of maximising network infrastructure.

The experience and expertise to innovate already exists in Northern Ireland. Among academia, utilities, industry and government bodies there are individuals and groups with the capacity to think differently and explore and develop beyond the boundaries of current practice. We would encourage thought to be given to how best to maximise these capabilities through collaboration, information-sharing and common goals.

NIRIG also welcomes the plan to extend, develop and improve the resilience of our utility infrastructure by approving further investment. We would encourage close collaboration with all stakeholders to ensure that it is approved and delivered in a timely manner. To this end we would recommend specific targets and incentives for regulated companies to deliver key infrastructure.

Objective 2

NIRIG is fully supportive of the intention to deliver projects and promote infrastructure to improve the operation of existing markets. We take this opportunity to express our serious concerns about the slow progress of delivery of the N-S interconnector. Every opportunity must be taken by NIAUR and all other stakeholders to progress this crucial piece of infrastructure for Northern Ireland's security of supply and all-island efficient market operation.

NIRIG will continue to work with NIAUR and other stakeholders to support a regional electricity market that delivers effective competition and maximises our sustainability objectives.

Objective 3

NIRIG believes that this objective should strengthen its sustainability emphasis:

‘Protecting the long-term interests of business and domestic customers and promoting sustainability’

Sustainability is a key method of protecting the long-term interests of all consumers. By stating at the outset the need for sustainability this objective will ensure that it takes account of the interests of consumers in reducing greenhouse gas emissions and contributing to the achievement of sustainable development. EU, UK and NI targets for curbing greenhouse gas emissions and increasing renewable power provide the overall policy direction for the energy sector. This objective should therefore reflect such policy more clearly.

NIRIG believes that this objective should also include a KPI for security of supply, which could be indicated by a % diversity of supply from a range of energy sources.

NIRIG would further recommend strengthening of the Key Performance Indicators relating to renewables:

‘That there is a % increase in generation from renewables between 2014-2019’

We believe that this should read

‘That there is a 200% increase in generation from renewables between 2014 and 2019 and a maximum ceiling of curtailment of 5% for wind generators’

This figure is based on a current installed capacity of 531MW of large-scale wind / 54MW of small-scale generation and the need to install between 1400-1800MW of renewable generation in order to reach the 2020 SEF targets. It would allow for the remaining renewables generation to be built and operational in 2019-2020. This indicator would also acknowledge the desirability of maximising efficient usage of renewable generation.

NIRIG would also like to note that the contribution of many actors is required to ensure the sustainability of Northern Ireland’s energy future. We understand that the Sustainable Energy Inter-Departmental Working Group (SEIDWG) used to have a grid sub-group that discussed strategic grid infrastructure issues. We firmly believe that such a group is vital to contributing to our long-term strategic energy goals and would encourage the reformation of this group, with industry involvement.

NIAUR Forward Work Programme

General comments

NIRIG would recommend clear timelines for delivery of the objectives outlined in the FWP. Full transparency, collaboration and co-operation would also be facilitated by a work programme that gives advance sight of forthcoming consultations, including indications of pre-consultation discussions with key stakeholders including industry.

NIRIG would also like to see inclusion of details on the reporting on the FWP objectives and how they represent progress towards corporate strategy objectives.

The Corporate Strategy, as noted above, aims to promote innovative utilities. However, it is unclear how this promotion is embedded in the FWP. Innovation requires flexible, forward-thinking, dynamic processes, the ability to learn from best practice elsewhere and financing that facilitates these practices. We would recommend that consideration be given to how innovation can be supported by the FWP. As suggested earlier, this could take the form of an allowance of specific funds for pre-identified thematic areas similar to the Low Carbon Network Investment Funds in GB or an overarching allowance for utilities to explore new avenues to improve service provision, technical innovation or management practices.

Specific objectives

11 NIRIG would recommend that the **SONI price control** also enables innovate activities

14 We would urge early and open engagement on the **NIE 6th price control** to encourage as straightforward a process of delivery as possible

15 NIRIG fully supports the introduction of **contestability**; however this needs to cover both Transmission and Distribution assets to be effective. We would have concerns that implementation could be delayed if total contestability is the objective and would advocate a phased introduction. This would deliver the benefits in a shorter timespan and could build on CER & GB models already in place. Given the long development time associated with large sustainable generation projects and the prohibitive costs facing small scale generation, it is critical that contestability is introduced as soon as possible if 2020 targets are to be achieved. To facilitate progress we would recommend a consultation process that involves detailed proposals at an early stage. A similar process to that carried out by CER has the potential to be effective and enable early consideration of key details. NIRIG would also propose that this consultation is carried out with significant input from SONI/NIE, mirroring the process used by CER.

19 We welcome the emphasis on **regional integration** and reiterate our willingness to work with all stakeholders on this process

26 We urge that both the physical infrastructure and market arrangements for interconnection are progressed to enable full utilisation of renewables, as well as promote **security of supply**

28 We note with concern that a full year is given for the implementation of the **DETI Energy Bill**. This consultation closed in September 2012 and a potential delay until the end of 2014 does not seem reasonable. We would suggest that implementation by Q2 should be feasible.

34 NIRIG welcomes the consideration of these **DS3 ancillary services** and would recommend a clear timeframe be put in place for their adoption

Conclusion

NIRIG welcomes the opportunity to comment on the NIAUR Corporate strategy 2014-19 and FWP 2014-15. We believe that both will be improved by an appropriate mechanism for monitoring progress on these goals. We look forward to continuing to engage with NIAUR directly and through the Renewables Grid Liaison Group, which we believe represents a very positive commitment to a transparent and practical engagement with relevant stakeholders. We further reiterate our interest in seeing strategic long-term grid infrastructure development more thoroughly coordinated between all key stakeholders, whether through the SEIDWG or similar forum.

Please do not hesitate to get in touch with any questions or clarifications regarding the above.

Meabh Cormacain

NIRIG