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Elena Ardines
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Queens House,
14 Queens Street,
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Our Ref: GS-001871

20 February 2014

Dear Elena,

Re: RES Response to NIAUR Draft Corporate Strategy 2014-2019 and Draft Forward Work Programme 2014-2015

RES is one of the world's leading independent renewable energy developers working across the globe to develop, construct and operate projects that contribute to our goal of a sustainable future. We have a portfolio of low carbon energy technologies and a range of services which together can meet demand from the industrial, public and commercial sectors on whatever scale.

RES has been an established presence at the forefront of the wind energy industry for over three decades. Our core activity is the development, design, construction, financing and operation of wind farm projects worldwide. RES has developed or built almost 8GW of wind energy worldwide and we have several thousand megawatts under construction and in development, we continue to play a leading role in what is now the world's fastest growing energy sector. RES is also involved in the dedicated biomass, solar, offshore wind, wave and tidal sectors.

RES welcomes the opportunity to respond to the consultation on NIAUR Draft Corporate Strategy 2014-19 and Draft Forward Work Programme 2014-15. As an active member of NIRIG we are also fully supportive of their response.

Corporate Strategy 2014-2019

We are generally supportive and look forward to supporting specific initiatives that will deliver NIAUR objectives. In line with NIRIG's response we welcome the previous investment which has 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 also recognise the growing complexity as a result of the Electricity Market Reform, necessary compliance with the EU Target Model and increasingly diverse sources of electricity generation that the NI grid is accommodating.

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 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 the RE Directive. Particularly going forward as the SEM is redesigned to comply with the EU Target Model.

Objectives

1. Objective One

Regarding objective one, “promoting effective and efficient monopolies”, we must highlight that there are particular challenges in electricity networks in order to achieve this objective. In particular we note the statement that NIAUR consider that it will have met its objective when:

“Best practice regulation facilitates innovation and fosters an efficient investment climate”

RES considers that the Northern Ireland Electricity Transmission and Distribution licensees have a lot of work to do to establish best practice governance that will give the sector the investment confidence that it needs. 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. However, we welcome the plan to extend, develop and improve the resilience of our utility infrastructure by approving further investment.

2. Objective Two

RES is fully supportive of the intention to deliver projects and promote infrastructure to improve the operation of existing markets. However, we would like to take this opportunity to express our serious concerns about the slow progress of delivery of the North South 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.

3. Objective Three

RES 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.

As NIRIG recommends, we also advocate the strengthening of the Key Performance Indicators relating to renewables, the Draft Corporate Strategy only states:

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

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

'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 1,400-1,800MW 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.

NIAUR Forward Work Programme

RES recommends clear timelines for delivery of the objectives outlined in the Forward Work Programme (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. We would also like to see inclusion of details on the reporting on the FWP objectives and how they represent progress towards corporate strategy objectives.

As NIRIG calls for, we also urge early and open engagement on the NIE 6th price control to encourage as straightforward a process of delivery as possible.

We completely support 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 time span and could build on Republic of Ireland & 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.

RES are grateful for the opportunity to comment and look forward to supporting specific initiatives that will deliver NIAUR objectives. We hope you take our comments on board and welcome any further contact in relation to this response. To do so, please contact myself at Lucy.Whitford@res-ltd.com or 028 2844 0592.

Yours sincerely,



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