



SMART GRID IRELAND COMMENTS ON THE UREGNI DRAFT FORWARD WORK PROGRAMME 2021 - 2022

Smart Grid Ireland (SGI) is grateful for the opportunity to comment on UREGNI's Draft Work Programme, and to have participated in the stakeholder meeting on 19 January 2021.

Smart Grid Ireland intends to play a key role in formulating and implementing technological and business processes which will enable the electricity grid to continue to deliver secure and economic electricity supplies to all customers, while also enabling the “greening of the grid” and delivery of energy and climate action policy solutions for a sustainable energy future.

Context for SGI comments:

Regulators should provide motivational and behavioural challenges that will drive value creation for customers, utilities, and other stakeholders. If utility management tries to improve returns by just being more efficient and productive, improvements realised are limited in scope and duration. To improve performance and realign behaviours that are motivated requires a more holistic view of what is good for the utility as well as the customer and other stakeholders. Focusing solely on some stakeholders can lead to undesired outcomes, particularly in the long term.

It must be recognised that electrification is a key enabler of the future energy policy development in Northern Ireland. Having positioned electrification as the key driver for the achievement of a future zero carbon economy, it is essential that the cost recovery mechanisms of the required investment in future infrastructure development be more economically neutral in terms of tariffs. The current short term cost recovery methodologies have been thoroughly analysed and critiqued by the Council of European Energy Regulators in their working group paper C19-DS-55-04 dated 20 Apr 2020 and these analyses support a radical change in the approach by regulatory bodies. The costs should be developed by the regulator and the utility providers and reviewed by the government to assess any need for support to prevent excessively large electricity price rises. This can be achieved by the use of subsidies and direct levies on industry and commercial development.

Much of the infrastructure investment required to support electrification can be delivered without significant tariff increases as the growth in demand for electricity (in replacing fossil fuels in transport, heat, etc.) will help to pay for the fixed infrastructure costs. A recent study¹ by Monitor Deloitte for Eurelectric and EDSO predicts that investment in electricity distribution networks across the EU27 + UK will need to be 50%-70% higher in the decade to 2030 than it was in the previous decade. However, the study estimates that the impact of this investment on electricity tariffs will be marginal, at an estimated 1.5% nominal over the period (below the rate of inflation) and will ultimately help to lower the total energy bill.

¹<https://cdn.eurelectric.org/media/5140/eurelectric-connecting-the-dots-full-study-h-F61A0A1C.pdf>

General observations on Draft Forward Work Programme:

- The document goes to some lengths to explain the context within which UREGNI operates, as well as its specific role and responsibilities. This is very helpful for consideration of the Draft Forward Work Programme.
- SGI would like to press the case for enhanced UREGNI powers to facilitate the development of appropriate, innovative grid infrastructure, particularly at distribution level voltages, to deliver energy and climate action policy objectives. It is to be hoped that the Department for Economy's developing Energy Strategy will include appropriate policy levers for this to happen.
- The document differentiates between projects listed and "core business" activities which need to be maintained.
It then makes the point quite strongly that some project work may have to be delayed to enable core business work to be carried out should there be insufficient resources made available to UREGNI.
SGI's view is that a business plan or work programme should cover all activities and that there should not be such a strong delineation between core business activities and projects.
Further, the presentation as it is currently could be interpreted as conceding in advance that desirable project work may not be possible to achieve because of resource limitations.
SGI suggests that the tone of the business plan should be that of a document stating what UREGNI feels should be done, with the required resources stated – a more confident and "upbeat" presentation.
It is then up to all interested parties, including UREGNI and SGI, to press the case through other channels for the appropriate resources to be made available to UREGNI. It is critical that UREGNI is given the resources it needs to function effectively to enable the energy transition, rather than being a potential bottleneck and a source of delay.

Specific observations on points of detail:

- SGI welcomes and supports the statement in Chapter 3 (Context, Regulatory Approach) concerning "new approaches to accommodate innovation".
- SGI welcomes and supports the Key Outcomes in UREGNI's new Corporate Strategy which deal with "Electricity network accommodates more renewable generation" (Strategic Objective 03) and all those listed under Strategic Objective 02 – Enabling 21st century networks).
SGI expects UREGNI to act to enable grid operators, owners and builders to be able to fund the infrastructure necessary to make these outcomes happen.

- SGI welcomes and supports Project Ref. 4 of Strategic Objective 2 on page 18, and is pleased to note and support the reference to ensuring that the electricity distribution company "has sufficient resources to run its business while facilitating the energy transition".
- SGI welcomes and supports Projects Refs. 1, 2 & 3 of Strategic Objective 3 on page 20.

In overall terms, SGI is concerned with the current lack of urgency and momentum in progressing the energy transition and the journey to net zero in Northern Ireland, and the absence of a drive to align with the UK Governments 'green recovery' ambitions and programmes following the COVID pandemic. The draft Forward Work Programme outlines many measures that are directionally appropriate, but there is no sense of urgency or leadership to move ahead in a different way. We recognise that the Forward Work Programme is being developed at a time when work is still ongoing to develop a new energy strategy for Northern Ireland, and a key part of that new policy needs to be to give UREGNI a stronger mandate to drive decarbonisation. Nevertheless, there is much more that could be done in advance of policy finalisation.

SGI notes the recent announcement² by Ofgem in GB of an initiative to bring forward significant investment in the electricity networks to accelerate a green recovery. Ofgem is working with the GB electricity network companies in identifying and accelerating low regrets, targeted expenditure in the network to support future user needs in light of the Government's climate change ambitions. This is the type of regulatory leadership that is needed for Northern Ireland also.

SGI will be pleased to engage with UREGNI in the future as the Work Programme is finalised and implemented.

Signed:



Bob Barbour
Secretariat on behalf of SGI Board.

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²<https://www.ofgem.gov.uk/publications-and-updates/open-letter-energy-network-association-green-recovery-scheme>