



Established 1918

Ulster Farmers' Union

Clarke Black
Chief Executive

FROM THE PRESIDENT

29th July 2008

Sarah Brady
Social and Environmental Branch
Utility Regulator
Queens House
Queens Street
BELFAST
BT1 6ER

Sustainable Development The Regulators Role

Dear Sarah,

Thank you for the opportunity to comment on the above. The Ulster Farmers' Union (UFU) is the largest farming organisation in Northern Ireland representing over 12,000 farming families and as such would like to make the following comments;

Chapter 2: What is Sustainable Development?

2.11 states that “fuel diversity has an important contribution to make to sustainability. We should therefore aim for a balanced generation portfolio, and avoid becoming over-reliant on any particular fuel or technology.”

The UFU believe that farmers are vital in providing fuel diversity and a balanced generation portfolio. Opportunities exist to use everything from animal “waste” to alternative crops as a renewable fuel.

In Paragraph 2.12 it is written that “economics is a useful tool to avoid waste of today’s and tomorrow’s resources, which is a sensible practical goal for Northern Ireland’s society.”

The UFU recognises the use of the economics in this way but also realises that there is a dangerous balance between avoiding waste and complying with the regulators other duties in protecting the vulnerable from fuel poverty. Surely there are better tools that can be used to avoid the wastage of fuel.

2.15- The main strategic sustainability objectives set out in OFMDFM’s strategy for which the Utility Regulator will have a primary input to are:

- to reduce greenhouse gas emissions, principally by promoting energy efficiency and the use of renewables;

- to establish Northern Ireland as a world class exemplar in the development and use of renewable energy technology;
- to plan and prepare for climate change impacts in Northern Ireland;
- to protect and enhance the freshwater and marine environment.

The UFU are fully supportive of the OFMDFM's objectives and believe that farmers can play an integral part in achieving these objectives but are frustrated by the lack of action, at present, towards completing them.

Once again paragraph 2.18 states "objectives such as: increasing the economic well being of people in Northern Ireland, protecting and enhancing biodiversity and bringing about behavioural change."

Farmers through a more efficient distributed generated system are the solution to this provided that unnecessary barriers (grid connection, planning etc) are not put in their way.

Chapter 3: Are Northern Ireland's Utilities Developing Sustainability?

The UFU completely agree with the Regulators collation of evidence regarding the sustainability of Northern Ireland's utilities. Statements such as: "Our existing resource demands are unsustainable (3.4)" and "CO₂ emitting fossil fuel is unsustainable (3.5)" reinforce the need for immediate action and the UFU are pleased that the Regulator also writes that "The longer we delay, the more abatement measures we will have to take in the future if stabilisation levels of CO₂ are not to be exceeded." Hence the need for action.

The UFU also supports the Regulator's view in FIG 3.1 that customers in rural areas are a vulnerable group. Farmers receive lower than average incomes and are facing ever increasing costs and therefore the UFU are pleased that the Regulator is recognising them as a vulnerable group.

The UFU recognise the good work done to convert the powerstations at both Ballylumford and Coolkeeragh to the highly efficient combined cycle gas turbine (CCGT) although the key point is that paragraph (3.20) states that "there is no further scope for Northern Ireland to benefit from large conversions to CCGT. This illustrates that Northern Ireland will now need to find new and potentially more difficult ways to meet government targets."

As shown there is little scope to increase efficiency through centralised power stations so it is essential that the potential of the more efficient renewable technologies is harnessed.

Price elasticity

With regard to price elasticity, the UFU would like to encourage the Regulator to use price as a last option for reducing demand especially as paragraph (3.33) refers to low price elasticities with regard to energy.

Security of Supply

Again the UFU are glad that this paper recognises the risk to security of supply at present and refers to the promotion of renewable energy to help broaden the supply base (3.37). The high reliance on fuel imports is also noted.

The paper then refers to problems with accommodating embedded generation (3.40). In light of the comments made at the beginning of chapter 3 about how unsustainable Northern Ireland is, the UFU feel that it is vital that action is taken now to solve these connection

problems. The above comments are also true for the problems stated in the paper with regard to network reinforcement and the connection process.

Specifically, with regard to the connection process, the UFU feel that NIE's connection charges are excessive and act as a deterrent to potential renewable electricity suppliers. The planning process too, is over bureaucratic and can take up to 2 years to complete. This does not encourage renewable technologies to emerge. These issues must be addressed with joined up thinking between government departments.

Prices

Northern Ireland consumers pay some of the highest prices in the UK for their utilities and also having the greatest proportion of their population in fuel poverty. It is essential that action is taken now to broaden the supply base and therefore reduce the reliance on the reported diminishing supply of oil.

Again, we believe the Regulator should be careful that price is not used to drive demand for renewables even if this may be the most effective driver.

Chapter 4: Existing Policy Responses to Sustainability Challenges

Climate Change Levy

It is regrettable that despite having to pay the Climate Change Levy, persons connected with farming and agriculture can not receive financial assistance the Carbon Trust. The UFU believe that this policy should be changed.

Technology

In paragraph 4.14 the paper states (with regard to the SEM) that "generators now pay shallow connection charges and this should facilitate the connection of renewable generators to the transmission network." While the UFU are unsure what the connection charges to the SEM are, we would reiterate that these should be set at a level that will encourage renewable technologies to develop and be financially viable.

SEM

The UFU welcome the studies being carried out on grid connection and the effort to prevent undue barriers for wind generated electricity entering the SEM. Barriers should be removed to enable all forms of renewable energy generation to enter the SEM (not just wind).

NIRO. (4.17)

the UFU feel that the targets for renewable electricity generation should be in line with GB. Northern Ireland in 2006/07 produced 2.6 % of its electricity from renewable sources. Suppliers are only obliged to produce 3% for 2008/09. This should be increased to 7% in line with the rest of the UK to provide a driver for renewable energy production.

The buy out fund should also be returned to those suppliers not in proportion to the number of ROCs held but rather in proportion to the efficiency of the technology used.

Micro-Generation Export Arrangements. (4.21)

The UFU believes that removing the ability to wheel electricity was detrimental to the growth of renewable in Northern Ireland and this should decision should be reversed.

Green Tariffs- (4.32)

Paragraph 4.32 states that “Northern Ireland electricity consumers have some experience of responding to ‘green’ tariffs. Under NIE’s Eco Energy tariff, electricity consumers can elect to take their energy from renewable sources. This is not as a result of price signals as the price is the same as that for non-green energy”

The UFU feel that green electricity should be heavily promoted and even if consumers were willing to pay more for green electricity they should not be asked to. In fact, there should be incentives to use green electricity in order to move towards a sustainable future.

Chapter 5: Statutory duties of the Utility Regulator

Although the UFU support the large amount of work going into making the use of gas as efficient as possible. At the same time it must be recognised that in the long term gas supply is limited and action must be taken now to accommodate and promote renewable use on a scale that will provide us with a sustainable future.

5.13- The UFU support the SEM committee’s objective to promote the use of energy from renewable sources.

5.17- The UFU supports the SDC’s recommendations to change Ofgem’s primary duties to include the reduction of greenhouse gases

Chapter 6: How can a Regulator Contribute to Sustainable Development?

The UFU support the Regulator’s view that it is “necessary for us to develop a comprehensive sustainable development strategy.”(6.1). It is important that this strategy is timebound and does not delay much needed action in this area.

With regard to the 3 means by which the regulator can contribute to the more sustainable development of Northern Ireland’s Utilities:

Gathering and Publishing Evidence

The UFU support the need for accurate, up to date, frequently available data. This is essential for policy makers to make the right decisions on the basis of correct information. The UFU would encourage work on the “Potential variations in consumption and pricing patterns between urban and rural areas...”. In line with the regulators duties in regard to “individuals residing in rural areas.”

Renewable Heat and Community CHP.

6.19

“Combined Heat and Power (CHP) is a very efficient form of power generation whereby the heat is put to some good use rather than simply wasted. The Utility Regulator has worked with NIE and with Phoenix Natural Gas and firmus energy to promote CHP. Renewable heat is where renewable energy sources are used to generate heat rather than electrical power. In Northern Ireland we have yet to see any major development of coordinated heat networks where heat (either from renewable or CHP sources) is distributed through networks in communities and towns.”

The paragraph quoted above is one example of the potential of renewable energy generation. On countless occasions this paper refers to increasing energy efficiency whether that is by converting power stations to CCGT or encouraging behavioural change amongst consumers. CHP is one example of the superior efficiency of renewable technologies. In this instance as stated “heat is put to good use rather than simply wasted”. It is essential that the Northern Ireland Government ensure the country does not continue to play catch up with the rest of Europe and acts now to develop co-ordinated heat networks in communities and towns. This is an example where action should have already been taken but has not. The UFU would encourage the Regulator to his their experience of developing the gas industry to develop heat networks.

6.22 states “Replacing heating oil with gas as the fuel of choice for the domestic sector could potentially be the largest single policy action possible to reduce Northern Ireland’s carbon footprint.”

The UFU feel that this is a relatively short term and short sighted attitude to sustainability. Gas is not in infinite supply and unless renewable energy solutions are found Northern Ireland’s solutions will never be truly sustainable. As gas supply runs low in the future, economics will force the price of gas to rise no matter how efficient it is with regard to electricity generation.

On the contrary, renewable electricity generation, by definition should not be subject to the same market pressures and should take priority.

Other Policy Considerations

Transport: The UFU fully support the regulators views on further exploration of alternative fuels such as natural gas for transport and we believe that the Government should be taking the lead on this.

Building Regulations: Research that already has been completed is the use of hemp as a building material. Hempcrete dramatically increases energy efficiency and hemp can be readily grown in Northern Ireland. The frustration lies with the lack of joined up thinking and foresight among policy makers (DFP, DETI, DARD, DOE)) to make this happen, now.

Chapter 7: Regulating for Sustainable Development

7.3- The UFU agree that if licensees had to put in place an environmental policy this should be done in a way that minimises unnecessary regulatory burden.

Giving Better Information to Customers

The UFU would encourage the dissemination of accurate up to date information needed to make educated choices in relation to both energy efficiency and the type of energy they consume.

Paragraph (7.12) states “The Utility Regulator proposes to work with NIE and NIW in order to develop a transparent connection charging system for new dwellings and commercial premises. Any connection charging system should encourage greater energy efficiency and the use of renewable technology. It could be based on increased connection charges but with large discounts or rebates available for energy or water conservation measures or for the use of renewable technology.”

The UFU would strongly support this principle. Connection charges are one of the major economic barriers to renewable energy generation. The UFU would rather see a mechanism put in place to provide a net decrease in connection charges.

Electricity Networks and Access for Renewables.

(7.13) “The Utility Regulator will continue to work with the electricity system operator, DETI, NIE (Energy) T&D, and the SEM Committee in order to ensure that processes and procedures equitably accommodate renewable generation.”

The UFU believe that the work on this area is vital and NIE should make this a priority.

Encouraging Energy Efficiency

As mentioned previously, in comparison to centralised power generation, renewable generation is a much more efficient system and in line with the regulators policy to increase efficiency renewable should be encouraged and as stated in paragraph 7.16 it is vital that “barriers to energy efficiency are removed”.

Summary

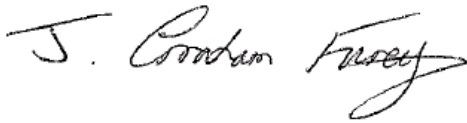
- It is clear from this paper that Northern Ireland’s energy supply is unsustainable. Solutions are available to this problem. It is time to recognise the solutions and act on them.
- There are countless references to energy efficiency throughout this consultation paper. The UFU support the principle of energy efficiency but feel that efficiency issues must be addressed at the source. We recognise the work done to make both Ballylumford and Coolkeeragh more efficient by converting to CCGT. If the regulator is serious about efficiencies then all the issues highlighted in the paper with the network, grid connections, planning etc must be addressed now. Renewable technologies are much more efficient than centralised power. If heat can also be used then as in the case of CHP then those generating renewable electricity get more for every unit they put into the system.
- Renewables also provide the broad supply base that is needed for security of supply. If there are problems accommodating this broad base then there is no reason to delay in sorting these problems.
- Efficient use of energy through a distributed system could save Northern Ireland PLC billions of pounds and also provide a sustainable supply of energy.
- Farmers have a vital role in providing this broad supply base. Animal waste, energy crops and wind are all sources of renewable fuels and farmers have the required skills base to supply these. It is essential that government recognises and supports this sector in order to harness their potential.
- The UFU believe that primarily, price signals should not be used artificially to reduce demand for energy and increase the demand for renewable generation.
- The UFU are concerned that the regulator does not refer to small scale generation in this paper but tends to use wind as an example on a number of occasions. The UFU sees small scale distribution as an efficient, sustainable supply of energy that spreads the risk of system collapse and at the same time benefits the economy.

- The mechanisms used by NIE to encourage renewable generation, increased demand for green electricity and energy efficiency must be proven and accountable. By doing this support measures will be created that will have a definite impact in making the Northern Ireland's electricity supply more sustainable
- It would be short sighted of the regulator to meet targets by encouraging consumers to convert to gas. This is a short term unsustainable goal.

We trust these comments will be considered as part of this consultation process.

We would welcome the opportunity to discuss these matters further with the Utility Regulator and would like to invite Mr Osborne to meet with the UFU in the near future. I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, reading "J. Graham Furey". The signature is written in a cursive style with a large, sweeping flourish at the end.

Graham Furey

President
Ulster Farmers' Union