



Briege Tyrrie
The Utility Regulator
Queens House
14 Queens Street
Belfast
BT1 6ED

Our Ref: DV01-019327

31 January 2019

Dear Briege Tyrrie,

Re: Draft Corporate Strategy 2019-2024

RES is the world's largest independent renewable energy company active in onshore and offshore wind, solar, energy storage, transmission and distribution. At the forefront of the industry for over 35 years, RES has delivered more than 16 GW of renewable energy projects across the globe and supports an operational asset portfolio exceeding 3.5 GW worldwide for a large client base. Understanding the unique needs of corporate clients, RES has secured 1GW of power purchase agreements (PPAs) enabling access to energy at the lowest cost. RES employs more than 2,000 people and is active in 10 countries.

Since developing our first onshore wind farm in Northern Ireland in the early 1990s, RES has subsequently developed and/or constructed 22 onshore wind farms totalling 310MW. RES currently operates over 83MW of wind capacity across Northern Ireland, has secured planning permission for a further 48MW either under construction or awaiting construction and has 80MW in the planning system. In addition, RES has a very strong onshore wind pipeline in Northern Ireland.

RES wants to play an active part in Northern Ireland's energy future, ensuring our projects contribute to decarbonising the energy system at least cost to the consumer, in line with RES' vision to be a leader in the transition to a future where everyone has access to affordable low carbon energy. We welcome this opportunity to respond to the Utility Regulator's Draft Corporate Strategy 2019-2024

General Comments

We do not believe that existing legislation and the duties and obligations of NIAUR will fully facilitate the draft Strategy's Strategic Objective 1, 2 or 3. Existing policy-making structures and legislation require additional flexibility to enable future power system needs. We note that progress on policy development, such as rebate policy, has been stymied by the requirements for changes in legislation, which in other jurisdictions could be carried out through regulatory decision-making. Enabling 21st century networks and a low-carbon future will require responsive regulation and fully-efficient markets. We therefore recommend a review of all energy legislation as soon as possible to ensure that it is fit for purpose.

This review should strengthen the sustainability duties of both NIAUR and DfE (as was consulted on, but not progressed in 2012)¹. “Protecting the interests of consumers of electricity” does not necessarily preclude the Utility Regulator and Department having significant regard to sustainability. However, the interests of consumers as defined in the Energy (NI) Order 2003 has the potential to prioritise short-term interests. A narrow interpretation could define the interest of consumers as the cost of electricity supplied year to year, which would not necessarily facilitate long-term, flexible and strategic planning and decision-making. A review of the Energy Order should include amendments which enable the interests of existing and future consumers to be taken as a whole, i.e.

- their interests in the reduction of emissions of targeted greenhouse gases; and
- their interests in the security of the supply of electricity / gas to them.”

This approach would align more closely with the overarching policy framework set out by the Paris Agreement and underpinned by UK Carbon Budgets and the Climate Change Act.

Decarbonisation requires lower carbon emissions in heat and transport and electrification of these sectors is one possible route. The existing wording of the duties and obligations with regards to electricity and gas could lead act against the proposed Strategic Objective to promote markets that deliver effective competition, informed choice, and fair outcomes.

The duty regarding natural gas: *“to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland”*, contrasts with the primary objective with relation to electricity: *‘protecting the interests of consumers of electricity supplied by authorised suppliers’*

Decarbonising the energy sector (SO 3) and promoting effective competition (SO 1) could be impacted where heat can be either gas-based or electrified if these energy sources are regulated with different purposes.

This review should include consideration of NIAUR powers to enable policy-making, similar to the powers it already exercises in its role in the SEM Committee.

Specific comments on strategic objectives:

1. Promoting markets that deliver effective competition, informed choice, and fair outcomes

This objective addresses two distinct aspects of the market: energy suppliers and energy market trading. Most success measures connected to the former include measurement metrics, whereas the latter (5&6) refer to ‘efficient deployment’ and ‘efficient wholesale energy prices’. We would like to understand the definition of ‘efficient’ in this context.

Renewable electricity, particularly large-scale wind and solar, are the cheapest forms of new generation, and have a positive benefit on wholesale electricity prices. Delivering Strategic Objective 3 will therefore impact positively on key measures for strategic objective 1, although a supportive policy environment and close coordination between all stakeholders will also be important.

We believe that facilitating effective competition requires an additional outcome regarding improved competition between different types of flexibility, which may require reducing regulatory barriers to

¹ SEF 24: Consult and if necessary, legislate on DETI’s and UR’s statutory duties so that sustainability is given higher priority

competition. A key aim should be to allow different forms of flexibility, including forms which will be developed in future, to compete against each other, and against more traditional solutions, within a market framework.

We suggest that an appropriate Key Success Measure could be:

New KSM 1 - increased access to the existing range of markets (capacity, wholesale, balancing and ancillary services), alongside new markets or revenue streams

This could facilitate competition between new types of flexibility (e.g. storage and demand-side response and new types of flexibility and other solutions (interconnection, generation, energy efficiency or network infrastructure)).

2. Enabling 21st century networks

Key outcomes

We welcome the key outcome regarding future facing network utilities that plan for the future and manage asset systems. Continued development of the transmission system - upgrading the existing infrastructure and the construction of new circuits - will be required to facilitate demand and generation connections in all parts of NI.

The UR's proposed key outcomes regarding improvement in overall network utilities performance and innovation by network utilities is also welcome.

However, we request a clear definition of 'improving network utility costs'. Depending on timeframes and definitions of this outcome, it could have the potential to restrict the other key NIAUR outcomes of innovation and an electricity network that accommodates more renewable generation (SO3). Many of these areas suitable for renewable deployment have insufficient network investment to maximise renewable sources, which are increasingly lowering wholesale costs (SO1).

We recommend an additional focus on coordination under SO2. NIEN and SONI must work together much more to deliver the best outcome for the system as a whole. This includes coordinated planning and operational processes, data management, and transparency, to enable efficient system decisions i.e. whether an investment at a transmission or a distribution level is in the best interests of consumers.

Key success measures

We believe that the success measures to fully enable 21st networks need to be expanded. An increased number of network stakeholders, decentralised activities and growing complexity of the network operations will most likely result in increased digitisation and requirements for visibility, transparency and controllability. 21st century networks are also those networks that will facilitate much greater decarbonisation, and in this sense Strategic Objectives 2 and 3 are linked.

KSM 1: All network utilities deliver asset management strategies and long-term network development plans
In general, this is welcome. However, these plans should require coordinated planning and operational processes, data management, and transparency, to enable efficient system decisions i.e. whether an investment at a transmission or a distribution level is in the best interests of consumers. Regulated monopolies will need to plan ahead, engage with new businesses, and explore fully the use of markets to solve issues.

We therefore recommend an amendment to KSM1 as follows:

*New KSM 1: All network utilities deliver **coordinated** asset management strategies and long-term network development plans*

KSM 2: Innovation plans are delivered as part of price control reviews

We believe that innovation has been underfunded in recent SONI and NIEN price controls. In order to encourage the integration of innovative methods such as smart metering, energy storage, blockchain technology etc to optimise and balance system use, the removal of barriers to new entrants would be recommended to ensure more widespread implementation. NIAUR should include a review of barriers to innovation as a key action in its next Forward Work Programme.

We furthermore believe that innovation should be facilitated more widely and strengthen the ability of third parties to propose potential network innovation projects. In that regard, KSM 2 could be modified as follows:

KSM 3: A review of electricity network tariffs is completed

New KSM2: Innovation plans are delivered as part of price control reviews and a review of regulatory barriers to innovation by other stakeholders takes place

While a review of network tariffs will be useful in potentially enabling a more efficient system, network tariffs are only one component of price flexibility. Flexibility will require better data availability and the rules and regulations to support an efficient, flexible energy system. New business models must also be facilitated to enable aggregators in the market, better understanding of the legal and commercial status of storage and exploring how to support all customers to participate in providing flexibility.

We believe that KSM2 and KSM3, while welcome, do not adequately enable the next phase of the energy transition. Network operators will likely require increased visibility over power flows on a real-time basis and shorter control cycles in order to maintain secure and reliable grid operation.

Data and its management will be key, including how the data is compiled, retained, stored, and shared with relevant stakeholders to enable them to make suitable development and investment decisions. Additionally, system services provide valuable support for energy system management and will require ever increasing level of information to maximise the use of the network. Increased data access, management and should also be mandated and monitored by an appropriate body.

We therefore recommend that NIAUR replaces the existing KSM3 with a more comprehensive KSM which could more fully remove barriers to smart technologies, enable smart homes and business and make markets work for flexibility. This would align with recent developments in GB, where BEIS and Ofgem together consulted on and produced a Smart Systems and Flexibility Plan.²

New KSM 3: With the Department for the Economy, develop a Smart Systems and Flexibility Plan

² <https://www.ofgem.gov.uk/publications-and-updates/upgrading-our-energy-system-smart-systems-and-flexibility-plan>

3. *Enabling security of supply and a low-carbon future*

Key outcomes

We welcome the following key outcomes as important enablers of UK, European and global climate targets, as well as the NI Executive's own targets of reducing greenhouse gas emissions:

- Efficient investment to support government decarbonisation targets
- Electricity network accommodates more renewables generation
- Promotion of energy efficiency and renewables technologies

Increased efficiencies have been referred to throughout the draft strategy, including increased efficiencies of ISEM, more efficient interconnector deployment, efficient wholesale energy prices, efficient investment and 'efficiently' accommodate more renewable generation. We would welcome clarity on the definition of efficiency across these, including what variables it takes into account (carbon emissions, timeframes, sustainability etc.).

Key Success Measures

KSM 1: Level of efficient investment in renewable generation to support government decarbonisation targets

This is a very positive KSM as it will enable lower wholesale electricity costs in the short, medium and long-term, decarbonisation and security of supply, particularly if supported by KSMs under SO1 and SO2.

KSM 2: Increased level of renewable generation, meeting electricity demand

As above, we strongly welcome this KSM as it will enable lower wholesale electricity costs in the short, medium and long-term, decarbonisation and security of supply, particularly if supported by KSMs under SO1 and SO2.

KSM 3: Facilitate delivery of the second North-South interconnector

We strongly support this KSM as it will deliver more effective markets, lower-carbon electricity and security of supply.

KSM 5: Along with the Department for the Economy, Clean Energy Package requirements are met by 2025

We welcome this KSM, although we recommend that specific metrics be applied. The Clean Energy Package contains a binding renewable energy target of at least 32% and an energy efficiency target of at least 32.5% - with a possible upward revision in 2023. Research undertaken by NIRIG demonstrates that a 70% renewable electricity target by 2030, which includes a contribution to decarbonised heat and transport through electricity vehicles and heat pumps, still falls short of 32% renewable energy for NI.

We also suggest a modification to KSM 5 which would acknowledge the all-island nature of the electricity market and the functioning of the electricity network.

*New KSM 5: Along with the Department for the Economy **and in discussion with the Department for Communications, Climate Action and Environment**, Clean Energy Package requirements are met by 2025, **including 32% renewable energy by 2030***

Please feel free to contact me if you have any questions or require further information

Yours sincerely,

A handwritten signature in black ink that reads "R Anderson". The signature is written in a cursive, slightly slanted style.

Rachel Anderson

Head of External Affairs

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