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**Department for the Economy and Utility Regulator**
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03 October 2023

**Department for the Economy and Utility Regulator Joint Call for Evidence: Review of the Connections Policy Framework in Northern Ireland**

ERG is a green energy company generating electricity from clean, renewable and sustainable sources. We are headquartered in Italy and active across Europe, with an 85-year record of successful operation in the energy sector. We are committed to the UK on a long-term basis and are currently working on delivering over 280 MW of onshore wind capacity in Scotland and Northern Ireland in the coming years.

Given that we are one of the only investors in the NI renewable energy sector, we are increasingly concerned about the impact of network limitations on our current projects and prospects for future investment. We therefore welcome the opportunity to provide our views on the proposed policies outlined in this consultation.

In responding we would like to highlight the following proposals to address these issues:

- The need to grant firm connection within a fixed date, regardless of grid delays (as in ROI)
- No grandfathering of legacy generation, thereby curtailing on a pro-rata basis
- Reducing grid costs by moving to a shallower connections (reducing cost and uncertainty)
- The possibility to apply for grid connection before planning permission

We would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

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## Questions posed in the Call for Evidence

**1. What are the risks and opportunities in relation to the development of micro grids and what issues do these raise for the connections framework in NI?**

**2. Do you agree with our guiding principles? Please expand your answer.**

We would add that the guiding principles should include responsibility for delivering legally binding net zero targets.

The UK Climate Change Act (2008) contains a legally binding long-term goal to reduce the UK's net emissions of greenhouse gases to zero in 2050. In 2021, the UK government went further, setting into law the world's most ambitious climate change target, cutting emissions by 78% by 2035 compared to 1990 levels. As the leader in decarbonisation, the power sector will have to achieve zero carbon first, with heat and transport expected to significantly electrify as the main way of cutting emissions.

The Climate Change Act (Northern Ireland) 2022 sets out in clause 15 that "The Department for the Economy must ensure that at least 80% of electricity consumption from renewable sources by 2030" and this target is reflected in the Energy Strategy.

Achieving 80% renewable electricity would result in an additional net cost saving to the end consumer in Northern Ireland of over £50m in 2030[1]. Ensuring consumers can benefit from these potential savings is in line with the Utility Regulator's (UR) mission "To protect the short and long term interests of consumers of electricity, gas and water[2]." However, this can only be achieved if the necessary level of renewable generation is facilitated by the electricity network.

The UR corporate strategy also states, "We have a role in ensuring that investment by utility companies best supports government decarbonisation targets and we are determined to be an enabler of a low carbon future."

The responsibility to deliver these targets should therefore be central to the DfE and UR's guiding principles. The 80% renewables by 2030 target can only be reached if the UR shifts to a shallower connection policy and allow projects to apply for grid connection before planning permission.

[1] https://www.baringa.com/globalassets/insights/low-carbon-futures/achieving-zero-pathway-to-a-zero-carbon-electricity-system-in-northern-ireland/20210914_baringa_achieving_zero_final_version.pdf
[2] https://www.uregni.gov.uk/files/uregni/media-files/Corporate%20Strategy%202019-24%20final%20for%20web.pdf

**3. Do you agree with our proposed scope in relation to this connection review?**

**This includes:**

- **Are there other issues which you consider we should take into account. If so, please explain why**
- **Are there any connection areas we should remove from the scope of our review? If so, please explain why**

ERG is one of only a handful of operators to have a pipeline of projects in NI for a combined capacity of over 70 MW, of which 47.3 MW are consented and estimated to be operational by 2026.

The wind farms operated by ERGs in NI are currently experiencing substantial reductions in electricity generation due to delays and inadequacies in grid infrastructure updates and enhancements. Both of our wind farms, namely Craiggore and Evishagaran (70.3MW combined), were subject to operational curtailments, resulting in a total reduction in electricity production of 24.3 GWh from January to August of this year, representing 19.5% of producibility. While a certain degree of grid limitations was foreseen during the investment decision-making process, the current extent of these constraints and the associated delays in grid upgrades have resulted in losses that far exceed initial projections.

Regrettably, there exists a considerable degree of uncertainty regarding the prompt resolution of these issues, as the grid's operator and owner are not bound by stringent deadlines and are not subject to penalties for project delays.

The level of grid constraint in NI is contributing towards making several potential renewable generation projects financially unviable. Capital and labour costs have risen significantly over the last 2 years, and when combined with high interest rates and high grid connection costs, we're seeing a difficult environment for investment. Layer on top of this the very high levels of grid constraint, particularly for new projects, and the ongoing delay in completing transmission system reinforcements to reduce constraints, and we see a poor investment outlook.

<u>Grid reinforcement and expansion delays</u>

There is little guarantee for investors that the situation will change in the near future, as upgrades can be delayed, seemingly without any consequences and certainly without any compensation for generation losses. The initial timeline for the Mid-Antrim upgrade was 2024, but it has been pushed back and we must now put our faith that the 2029 timeframe will be respected. Similarly, the North-South interconnector was due to be completed in 2026 but, despite receiving planning approval in

both Ireland and Northern Ireland and being ready to enter the construction phase in 2023, this has now been delayed until 2027.

With the SEM-23-004 Firm Access Methodology in Ireland Decision, it was recently decided to give projects in the Republic of Ireland (ROI) that have reached a certain stage of development (committed decision stage) "firmness" of the connection within a fixed date, regardless of whether the grid development is implemented or not. Implementing a similar measure in NI would give greater certainty for investors.

Clean Energy Package (CEP) Implementation

The lack of a timeline for grid reinforcement is concerning given that under the Clean Energy Package (CEP) the "protection" of new wind farms depends on the development of the grid and on the fact that consequently their connection can be qualified as a "firm," but the development by the NI network operator is not subject to binding terms (so much so that we have already seen several postponements of the date envisaged for the finalization of the network development works, which as far as we understand is currently assumed to be 2029).

We would point out that the Single Electricity Market (SEM) Committee recently issued a decision (Firm Access Methodology in Ireland decision, SEM-23-004) whereby to new wind projects in the ROI that have reached a certain stage of development (committed decision stage) the "firmness" of the connection would be granted within a fixed date, regardless of whether the grid development is implemented or not (so if the grid is not developed, the wind operator is compensated). The SEM Committee decision also extends this new firm access methodology to connected legacy generation in ROI which currently does not have firm access, providing these legacy generators with a path to becoming firm. Given that this decision is not applicable in NI, we would highlight that the difference in treatment risks jeopardizing the future development of renewables in NI.

It is therefore important that the SEM Committee reopens its decision to attract new investment.

**4. Do you consider the current 'partially deep' connection boundary in NI appropriate? Please explain your rationale further and provide evidence.**

No. We are of the view that NI should move away from the current partially-deep connection arrangements.

As the UR and Department for Economy's (DfE) own comparative analysis shows, both GB and ROI operate under shallow and shallow-ish arrangements respectively. To date, NI has been lagging behind its counterparts in ROI and GB in terms of renewable energy policy. A lack of a support scheme along with significantly longer planning timelines than ROI and GB have meant that NI has

not been an attractive region for development. Connection costs exacerbate this disadvantage and, as a result, less than 100 MW of new large-scale generation has connected this decade.

A move to a shallow connection policy would increase NI's competitiveness by reducing upfront costs. This would also reduce developers bearing the costs of a transmission upgrade that will eventually be shared with competitors.

**5. Do you consider a shallow connection boundary to be appropriate in the NI context? Please explain your rationale further and provide evidence. If so, which of the following connection types should have a shallow connection boundary:**

- **Demand only**
- **Generation only**
- **Demand and Generation**
- **An alternate connection type (for example Domestic/Non-Domestic connections)**

**Please explain your rationale further.**

Yes. Please see our response to Question 4.

It is looking very unlikely that the grid will be sufficiently developed to meet a goal of 100% RES-E by 2035 or the legal target of 80% RES-E by 2030. One of the reasons for this is that the grid is not developed until projects come online to develop it. There needs to be a shift to building out the grid in advance to support the capacity of renewables needed to meet these targets.

**6. Do you consider a shallow-ish boundary to be appropriate in the NI context? Please explain your rationale further and provide evidence. If so, which of the following connection types should have a shallow-ish connection boundary:**

- **Demand only**
- **Generation only**
- **Demand and Generation (for example Domestic/Non-Domestic connections)**
- **An alternate connection type Please explain your rationale further.**

Please see our response to Question 4.

**7. Do you believe that moving to a more shallow connection boundary in NI will deliver NI renewable targets that otherwise would not be met? Please provide evidence to demonstrate your answer.**

Please see our response to Question 4.

**8. Please provide evidence on the potential impacts on energy affordability in NI if reinforcement costs where socialised further? What would the impact on energy affordability be in NI if household bills where to increase per annum by:**

- **1-3%**
- **4-7%**
- **7-10%**
- **> 10%**

**9. Can NIE Networks differentiate between RP6 allowances, RP7 business plan connection requests and how these differentiate and have been factored into the analysis that has been done on potential reinforcement connection costs analysis NIE Networks have completed?**

**10. Do you think that a developer led or plan led is the best approach for the future development of connections in NI? Please explain your answer.**

The current approach where multiple projects are connected via standardized cluster connections, and connection offers can only be made after a planning application is granted, is a good system from the perspective of minimizing the cost of grid connections and the cost to consumers through standardization, but it's very slow and relies on the alignment of timing and geography of projects connecting into a cluster.

If we are to accelerate time for grid connections to meet Net Zero aspirations, then a new approach is required. Cluster connections typically take at least 5 years to build out from the point that a cluster connection is identified for at least 56MW of connecting projects. Those projects in turn will have taken 4-5 years from initial concept to obtain planning consent, so that the total timeline from initial project feasibility to connection is 9-10 years.

**11. Do you think the current 3-month timeframe for SONI and NIE Networks to issue a connection offer is appropriate? Please explain your answer.**

We would generally support the 3-month window to receive a connection offer, however we would advocate for a methodology by which projects can progress through the planning process concurrently.

**12. If our legislation facilitated it, should obtaining planning permission be a pre-requisite in order to receive a grid connection? Please explain your answer.**

The requirement to have planning permission ahead of applying for a grid connection in NI is different to the rest of the UK where developers can apply for a grid connection at any stage. From a developer's perspective the restriction on being unable to apply until receiving a positive planning decision is problematic as large development costs can be spent without any certainty that an economic grid connection is available. The more relaxed approach in the rest of the UK has by contrast led to a problem of a huge queue for grid connections (over 300GW), with many connection offers made to projects which will never get built, and with the result that new connection offers have dates typically 10 years in the future. National Grid ESO are currently consulting on how to improve this process, which has been in place since privatization. Their proposal is a 2-stage connection application, where grid offers will not be awarded until a planning application is submitted. They are also proposing application windows so that grid applications can be considered in batches which allows for more of a network wide solution than the existing system.

It would suit us to allow grid connection offers prior to obtaining planning permission. It should also allow for quicker delivery of grid connections if offers were made earlier in the development cycle and should also give the NI grid companies better/earlier visibility of upcoming connection applications.

**13. If our legislation facilitated it, do respondents consider any other issues associated with the current queue process? Or that a different approach to managing the connection queue, would result in quicker connections? If so, what would that be? Are there any lessons to be learned from other jurisdictions?**

In June 2023, several independent recommendations were published from the UK's Electricity Networks Commissioner, Nick Winser, on how to accelerate the deployment of electricity transmission infrastructure.[3]

These recommendations cover every part of the process and can be regarded as an integrated programme of reform. The recommendations are supported in detail in the accompanying report from Energy Systems Catapult. While the NI system differs from GB, we would point to this report as an example of what NI should consider to improve connections arrangements in NI. Some of the recommendations that may be of particular relevance to this Call for Evidence are:

[3] https://www.gov.uk/government/publications/accelerating-electricity-transmission-network-deployment-electricity-network-commissioners-recommendations

- All cost benefit analyses (CBA) that are carried out across the end-to-end process should be reviewed and updated to reflect whole project costs and wider societal benefits (e.g., constraint and carbon costs) where possible. This will create a more holistic view of the costs and benefits of projects to facilitate decision making. For example, an offline network build option may have a higher delivery cost but reduce constraint costs due to a shorter outage requirement. The CBA would show the higher delivery cost is offset by a lower constraint cost and provide net benefits from delivering sooner and connecting low carbon generation.[4]

- A government-led national information campaign should be started on the need for electricity infrastructure and how this can lead to good outcomes for people and the communities in which they live and work. This should include how this need can lead to job opportunities for them and their families. This campaign could be like that used by the UK armed forces. The advertising campaign should show why new electricity transmission infrastructure is required to connect renewable energy to where it is needed. The campaign should also highlight the range of different job opportunities available such as engineering, environmental science, planning and construction, amongst others. We believe this concept is also applicable to NI. While a focus must be placed on protecting the consumer, there should be a broader focus on the benefits that renewables can bring to communities in NI, and how further development will lead to lower costs to the consumer in the medium-long term. We would emphasise that the lowest cost to the consumer should encompass the medium to long term, as well as simply focusing on short term price reductions.[5]

**14. Do you have any other information relevant to the subject matter of this Call for Evidence that you think we should consider?**

**15. Please list any connection issues you have raised in order of priority. Please explain your reasoning behind your priority.**

1. The need to grant firm connection within a fixed date, regardless of grid delays (as in ROI)
2. No grandfathering of legacy generation, thereby curtailing on a pro-rata basis
3. Reducing grid costs by moving to shallower connections (reduction of cost and uncertainty)
4. The possibility to apply for grid connection before planning permission.

[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1175647/electricity-networks-commissioner-companion-report.pdf, p32

[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1175647/electricity-networks-commissioner-companion-report.pdf, p46