Advice NI Response to Call for Evidence for the Review of the Connections Policy Framework in Northern Ireland

September 2023

Background

Advice NI is a membership organisation that exists to provide leadership, representation and support for independent advice organisations to facilitate the delivery of high quality, sustainable advice services. Advice NI exists to provide its members with the capacity and tools to ensure effective advice services delivery. This includes: advice and information management systems, funding and planning, quality assurance support, NVQs in advice and guidance, social policy co-ordination and ICT development.

Membership of Advice NI is normally for organisations that provide significant advice and information services to the public. Advice NI has over 70 member organisations operating throughout Northern Ireland and providing information and advocacy services to over 110,000 people each year dealing with almost 250,000 enquiries on an extensive range of matters including: social security, housing, debt, consumer and employment issues. For further information, please visit www.adviceni.net.

Question Responses

Connection boundary

The key issue when it comes to grid connection, including the connection boundary, is how to adapt and upgrade the grid to make it fit-for-purpose in the transition from fossil fuels while not causing undue hardship to energy consumers, particularly the most vulnerable. The transition to a post-fossil fuel energy system and making that transition a just transition doesn't have to be mutually exclusive.

There are pros and cons that come with the degrees of shallow to deep connection boundary approaches. The shallow to shallowish options encourage more grid connections but socialise the bulk of the costs. The deep to partially deep options privatise most of the connection costs but then are more of a deterrent for grid connections, and that would potentially have a negative impact on micro-generators, prosumers and community energy projects.

With the connection boundary as it is, i.e. partially deep, both the demand and generation side socialise the reinforcement costs of the larger connections, with a higher proportion of the connection costs for larger works being paid for by business and domestic consumers via their electricity bills and a lower proportion of connection costs being paid for by the connecting party. This seems to disadvantage customers, micro-generators, prosumers and smaller community energy projects while advantaging the larger projects which are usually private.

Across Europe, there is no single consistent connection boundary approach[1] with 30% of countries having a deep distribution boundary, 31% having a shallow boundary, 4% a shallowish boundary and 35% a mixed or other boundary. Of this 35%, the bulk of those have a combination of shallow and deep e.g. shallow for small consumers, residential consumers and small embedded generators; deep for larger high voltage consumers and generators.

The Ad Hoc Expert Facility under the INOGATE project[2], provides a summary on page 8 of their report of the pros and cons of deep, shallow and hybrid connection approaches. They provide a table of grid connection approaches for grid expansion in EU countries (this was done when Britain was still in the EU). The last entry in the table, on page 11, is for Sweden who propose the following connection boundary approach: shallow if the project is to be benefit of the general public and deep if only the plant operator benefits from the expansion.

In NI, we could adopt the Swedish example and adapt is as follows:

- Apply the shallow approach if the project is to be benefit of the general public, and categorising community-owned or publically-owned projects as those benefiting the general public
- Apply the deep approach if only the plant operator benefits from the expansion.

Socialising costs and affordability

We have a dilemma. On the one hand, we need to make energy as affordable as possible for the public, and in particular those on the lowest incomes and those most vulnerable to fuel poverty. Further increases to energy bills must be avoided if at all possible; and if they are necessary, they need to be kept as low as possible. Even a few percentage points increase can be enough to drive households into fuel poverty or severe fuel poverty. On the other hand, it is essential that we adapt the grid to enable more connections to be made for renewable energy generation. This will be key to reaching climate targets but more importantly, adverting or at least mitigating ecological collapse. Getting the balance right

[1] https://www.chargingfutures.com/media/1391/connection-boundary-final-deliverable.pdf
[2] http://www.inogate.org/documents/Connection%20to%20the%20grid.pdf

between both of these goals, economic justice and climate justice, will be difficult though not impossible. Achieving both will require a more nuanced approach than may have been necessary up until now.

Fuel poverty is a huge problem in NI. A household is in fuel poverty if, in order to maintain an acceptable level of temperature throughout the home, the occupants would have to spend more than 10% of their income on all household fuel use"[3]. According to the most recent official statistics on fuel poverty, based on the 10% definition, 22% of households in NI are in fuel poverty[4]. This percentage is from 2016 and since then, we've been through a global pandemic, a cost of living crisis and an energy crisis. Others estimate that this figure is much higher[5], possibly as high as 50% in 2022[6]. The unprecedented energy price rises in 2021[7],[8],[9],[10],[11],[12],[13],[14],[15],[16] had to be mitigated by government interventions such as the Energy Bills Support Scheme[17] and the Energy Price Guarantee[18].

A survey conducted by Advice NI in 2021 with frontline advisers that sought evidence about the difficulties people encountered during the pandemic showed that 91% of respondents reported that their clients had difficulty affording a refill of oil, 83% said their clients were under financial stress or had to ration in other areas of expenditure to pay fuel bills, 61% said their clients had borrowed money or were in debt to pay for fuel, and 57% said clients couldn't afford to pay their electricity bill or to top-up their pre-paid meter. Rationing fuel use by turning down thermostats, turning heating off and heating only some rooms was

[3] https://www.nea.org.uk/wp-content/uploads/2020/07/UK-FPM-2019.pdf
[4] http://aims.niassembly.gov.uk/questions/writtensearchresults.aspx?&qf=0&qfv=1&ref=AQW%2012326/17-22
[5] https://www.uregni.gov.uk/files/uregni/documents/2022-01/bpf-approach-paper_0.pdf
[6] https://www.belfasttelegraph.co.uk/news/northern-ireland/half-of-ni-households-in-fuel-poverty-regulator-estimates/41479008.html
[7] https://www.uregni.gov.uk/news-centre/utility-regulator-comments-sse-airtricity-gas-supplys-tariff-announcement-1
[8] https://www.consumercouncil.org.uk/index.php/consumers/latest/newsroom/sse-airtricity-set-increase-electricity-prices-second-time-year
[9] https://www.bbc.co.uk/news/uk-northern-ireland-58433363
[10] https://www.uregni.gov.uk/news-centre/utility-regulator-comment-firmus-energys-gas-tariff-announcement
[11] https://www.bbc.co.uk/news/uk-northern-ireland-58480550
[12] https://powertoswitch.co.uk/electric-ireland-electricity-price-increase/#:~:text=Electric%20Ireland%20have%20announced%20they,to%20continuing%20Covid%2D19%20restrictions
[13] https://www.consumercouncil.org.uk/index.php/consumers/latest/newsroom/consumer-council-advises-electric-ireland-customers-following-second
[14] https://budgetenergy.co.uk/faq-june-21-price-increase/
[15] https://www.consumercouncil.org.uk/consumers/latest/newsroom/click-energy-electricity-tariff-set-increase-9
[16] https://powerni.co.uk/help-support/pricing/
[17] https://www.uregni.gov.uk/energy-bills-support-consumers
[18] https://commonslibrary.parliament.uk/research-briefings/cbp-9714/#:~:text=Lower%20wholesale%20prices%20have%20led,than%20in%20winter%202021%2F22

another behaviour noticed by 30% of survey respondents, while 13% said their clients were forced to maximise warmth through using hot water bottles, thick curtains and draught excluders or taping up draughty windows, and so on. Fifty-seven percent of respondents said that clients couldn't afford to pay their electricity bill or to top-up their pre-paid meter, 48% said clients had to use expensive options such as 20 litre refills at petrol stations, with 43% acknowledging that their fuel poor clients tried various ways to improve body warmth, including siting close to a heat source, going to bed early or during the day, going outside the home, wearing multiple layers of clothing, wrapping up in blankets and quilts, and consuming hot food and drinks. In addition, Advice NI was responsible for the £3m Warm Well and Connected Programme which ran from December 2020 to March 2021. The programme gave interventions and support for fuel, wellbeing and isolation. By the end of the programme, Advice NI callers had handled 9,392 cases and out of those, 88% were in connection with fuel needs. Only 12% of calls were for wellbeing and isolation.

The debt charity StepChange published a report in March 2023[19] which showed that there had been increases in the numbers of clients presenting with energy-related debt whereby 55% of clients were in arrears with their dual fuel bills, 29% were in arrears with their gas bills and 27% were in arrears with their electricity bills. While these figures are for England where StepChange operates, given that in NI energy costs are higher and wages are lower, it follows that we should expect our situation to be similar or worse.

This evidence shows that socialising the cost of grid upgrades and improved grid connectivity will take a significant toll on people here, and particularly those on the lowest incomes. And yet, this work is vital if we are to make the grid fit-for-purpose in a climate crisis world. But we should ask, why are the costs socialised while profits are privatised? Why is it that the only solution to meeting infrastructural costs is to socialise those costs?

The energy sector has always been notorious for making enormous profits, but since the 'energy crisis', which many believe came about because energy companies took advantage of geopolitical and global health events, their profits have gone beyond anything seen before. During 2022, while ordinary people struggled to heat their homes and needed government payments to help pay energy costs, BP made profits of £21.8bn and Shell made £32.2bn[20]. Combined, the big oil corporations (BP, Chevron, Equinor, Exxon Mobil, Shell and TotalEnergies) more than doubled their profits in 2022, making £180bn[21].

To socialise the costs of essential grid upgrades, while knowing the financial struggles that the vast majority of us are experiencing and at the same time knowing the profits being made by the energy industry, is unjustifiable. There are other ways of raising the capital needed that doesn't have to mean passing the costs to energy consumers or the public in general. Some alternatives are discussed in the remainder of this section.

[19] https://www.stepchange.org/Portals/0/assets/policy/StepChange-client-data-report-March-2023.pdf
[20] https://www.bbc.co.uk/news/business-60295177
[21] https://www.reuters.com/business/energy/big-oil-doubles-profits-blockbuster-2022-2023-02-08/

NI should seek to enhance and share in the *Energy Company Levy / Windfall Tax*. An Energy Company Levy / Windfall Tax is a tax that is placed on additional profits made by energy companies. In essence, it is a tax that socialises profits rather than costs. An energy profits levy[22] was introduced by the British government in May 2022, placing a 25% tax rate on the profits made from extracting UK oil and gas. This was then increased to 35% in Autumn 2022[23] and is set to run until March 2028, although the government made a statement in 2023 that the levy would end if average oil and gas prices fell below a certain threshold for six consecutive months[24]. The levy is expected to raise at least £40bn over six years. Levies are not an uncommon instrument and are used in others sectors such as the financial sector. For example, the Financial Conduct Authority Levy that the British government introduced to cover regulation costs and fund free debt and money advice services[25].

The benefits to society and to the transition to renewable energy would be greatly assisted if the levy were to remain in place permanently and not just while extortionate profits are being made. The Green Party and the Labour Party[26], among others, have called for this to happen. A permanent windfall tax has been tried elsewhere, for example, in oil and gas producing states in the US such as Alaska, New Mexico, North Dakota, and Wyoming[27]. These states levy a variety of energy taxes i.e. tax on the value or volume of oil and gas produced; local property taxes on the value of oil and gas property; oil and gas lease revenues from state lands; oil and gas lease revenues from federal lands. The revenue from these taxes is used for the public good, for example, on operational state expenditure; state trust funds; education expenditure and education trust funds; and local councils. In Alaska, every resident receives a cheque from the Alaska Permanent Fund which is in essence a universal basic income. Advice NI supports the idea of a universal basic income[28] and sits on the NI All-Party Group for the same.

The levy should also be extended to include the electricity generation sector, and not only oil and gas is it does now.

The estimated £40bn windfall should be ring-fenced for the transition to renewable energy, including for grid upgrades and ensuring those on the lowest incomes do not suffer disproportionately, just as the money from the windfall tax has been ring-fenced for the public good in places such as Alaska. NI should aggressively lobby for its share of the £40bn windfall to help pay for grid upgrades and the transition to net-zero.

[22] https://www.gov.uk/government/publications/cost-of-living-support/energy-profits-levy-factsheet-26-may-2022
[23] https://www.gov.uk/government/publications/changes-to-the-energy-oil-and-gas-profits-levy
[24] https://www.bbc.co.uk/news/business-65853400
[25] https://hansard.parliament.uk/Commons/2014-01-21/debates/14012167000001/DebtAdvice(FCALevy)
[26] https://www.parallelparliament.co.uk/bills/2022-23/energyoilandgasprofitslevy/debates
[27] https://media.rff.org/documents/RFF-PB-16-14.pdf
[28] https://www.adviceni.net/policy/publications/universal-basic-income

NI should call for *social energy tariffs* to be implemented. Energy tariffs give lower-income households significant discounts on their energy bills. National Energy Action and Fair By Design have made a compelling argument in support of their implementation[29]. Energy tariffs, however, would be in addition to existing price protections and caps, not a replacement. Belgium[30] has had a social tariff in the energy market since 2002 and this has successfully shielded low-income households from price fluctuations in the energy market.

Green Bonds, if used ethically and with the public good in mind, can provide a means of raising necessary capital for grid upgrades. A green bond is a financial instrument that acts like an IOU and carries a rate of interest and is used to finance activities addressing climate change and the ecology crisis. Many countries around the world have issued sovereign green bonds[31], including Ireland[32]. In September 2021, the British government issued the UK's first green bond, a 12-year bond which raised £10 billion[33], and then in October issued a second bond, this time a 32-year green gilt of £6 billion[34]. It is uncertain how this capital has been spent to-date but based on the Tory track record and worldview, it will probably be directed into corporate hands and that would defeat the purpose of the bond. NI should seek to issue a green bond via local councils and / or to demand a share of the UK sovereign green bond.

NI should seek investment from *Public Pension Funds* such as NILGOSC as a source of capital for a just transition and the desocialisation of connection costs. The value of the NILGOSC fund alone is £10bn[35]. All of that is money raised here, earned by people here, and yet it is currently invested in projects outside of NI. NILGOSC could just as easily invest in projects in NI, and especially in environmental projects since it does have a climate risk statement that guides investment choices[36].

The alternatives mentioned above are potential solutions to the socialisation versus climate action dilemma and could provide the necessary investment for grid upgrades and more, with the capital raised used to create a *Renewable Energy / Just Transition Fund*. Having this fund would provide the capital needed to meet climate targets, transition to net-zero, socialise costs and provide everybody, regardless of income, with the ability to become individual or collective prosumers.

[29] https://www.nea.org.uk/wp-content/uploads/2022/07/2022_Solving-the-cost-of-living-crisis_v02.pdf
[30] https://www.euractiv.com/section/politics/news/belgium-introduces-new-energy-measures-amid-ever-rising-costs
[31] https://www.oecd.org/coronavirus/en/data-insights/increasing-sovereign-green-bond-issuance-helping-to-promote-green-growth
[32] https://www.ntma.ie/uploads/general/Green-Bonds-IP-Sept-2018.pdf
[33] https://www.gov.uk/government/publications/uk-government-green-financing
[34] https://www.gov.uk/government/news/second-uk-green-gilt-raises-further-6-billion-for-green-projects
[35] https://nilgosc.org.uk/pension-fund/funding-strategy/
[36] https://nilgosc.org.uk/wp-content/uploads/2020/12/Climate-Risk-Statement-Final-221119.pdf

Planning permission and the connection queue

Planning permission is currently unnecessary for small-scale renewable energy installations, and is necessary only for the larger ones, and that should remain the case. Gaining planning permission is an arduous process and can present a major barrier for small-scale installations so having a system that removes that barrier creates an environment more conducive to micro-generation and prosumers.

For larger installations, where it's important to maintain a level of rigour, planning presumption should be made in favour of renewable energy projects that are community-led, publically-led, private-community partnerships or private but indigenous. Planning presumption should also be made in favour of industry-led projects where they have secured community buy-in and are socialising profits. Therefore, these projects should be given priority over purely commercial projects, and if possible, a fast-track process set up to allow ease of connection. The planning rule that allows an application to be rejected on the basis of a single objection from a local resident should also be reconsidered.

None of these reforms would place a more onerous process or additional costs on purely commercial projects as the rules would remain the same for them and they would simply follow the existing process, but the reforms would encourage more genuine collaboration with communities.

Planning policy that is favourable to renewable energy projects as described above is not widespread in Europe generally and reform is needed if renewable energy targets are to be met[37, 38,39.] There is no reason why NI could not be a leader in this reform.

Connection issues in order of priority

Connection issues in order of priority are:

- Reduce socialisation of costs.
- Greater socialisation of profits.
- Ease grid connection for micro-projects, community-led project, publically-led project, private-community partnership projects or private but indigenous projects.

[37] https://windeurope.org/policy/topics/permitting/
[38] https://policy.friendsoftheearth.uk/reports/lack-suitable-areas-onshore-wind-local-plans
[39] https://www.theplanner.co.uk/2021/12/02/planning-policy-needs-harness-winds-change

Contact information:

Advice NI Policy Team:
Kevin Higgins kevin@adviceni.net
Charlotte Ahmed charlotte@adviceni.net
Matt Cole, matt@adviceni.net
Dr Bridget Meehan bridget@adviceni.net
Advice NI
Forestview, Purdy's Lane
Newtownbreda
Belfast, BT8 7AR
Tel: 0800 915 4604
www.adviceni.net
@AdviceNI