



## CBI Northern Ireland Response:

### Call for Evidence - Electricity Connection Policy Framework Review

September 2023

*The CBI Northern Ireland welcomes the opportunity to respond to the Utility Regular's Call for Evidence - Electricity Connection Policy Framework Review.*

*The CBI speaks on behalf of 170,000 businesses of all sizes and sectors, across every region and nation of the UK. This includes over 1,100 corporate members, plus nearly 150 trade associations. Corporate members alone employ over 2.3 million private sector workers. The CBI in Northern Ireland (CBI NI) represents hundreds of local businesses (large, medium and small) across a full range of sectors. This includes indigenous companies in Northern Ireland, as well as those headquartered in other parts of the UK that have operations locally.*

*In addition to this generic response, CBI NI members have been encouraged to respond from their individual business capacity.*

### Introduction

The UK government has set a legally binding target to achieve net zero by 2050, this will require a cross-economy decarbonisation effort underpinned by a net zero energy system. In addition, Northern Ireland has also passed a Climate Change Act (March 2022) which makes a legal commitment to net zero carbon emissions by 2050 and commits to 80% of electricity consumption coming from renewable sources by 2030.

This energy transition will require a once-in-a-generation change, a shift from a high carbon, dispatchable system to a low carbon system. Delivering a secure, sustainable and cost-effective transition will require significant volumes of private investment in infrastructure at pace and scale.

The UK's goal of a net-zero carbon economy, and the private sector's role in achieving that goal, is of utmost importance to CBI members. Only businesses - in collaboration with the government - can provide the scope of innovation and investment needed to achieve net-zero targets.

Therefore, we welcome that the Utility Regulator (UR) and Department for Economy (DfE) are collaborating to carry out a review of the legislative and regulatory framework for connections in Northern Ireland (NI) to understand if it meets the needs of NI consumers and will enable delivery of the Energy Strategy. The CBI NI also welcomes the fact that the UR recognises that getting connected quickly, easily and at a fair price is important for domestic consumers, businesses and generators alike.

Within our response to this Call for Evidence we provide information on the impact on investment of the current charging regime. In line with your consultation document, we have also provided comment on other issues which may affect the connection of renewables including grid capacity and planning constraints.

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## Partnership, a holistic approach and Innovation will be key to success

In the CBI's recent report, Going For Green: The UK's net zero growth opportunity<sup>1</sup>, we identified that 'Green growth can be the engine powering the UK's economy' and that 'Looking across the opportunities in new markets over the next five years, and considering UK strategic advantages, the CBI estimates that by 2030, a non-exhaustive list of 27 green growth 'prizes'<sup>2</sup> could increase in value to contribute £37-57 billion of annual UK GDP alone.'

However, to achieve this target of Net Zero by 2050, a programme of action is required to ensure that the policy environment enables green growth to take off and specific interventions are made to remove blockages. In Northern Ireland, the private sector will be key to unlocking the volume of innovation and investment required to deliver net zero and a low carbon energy system, and this must be done with the support and collaboration of government and Utility Regulator.

The CBI are confident that decarbonisation is the investment imperative for our generation and done right can help to raise productivity and create jobs across all corners of the economy. To support it, we need policy frameworks, infrastructure and our network systems to drive the right outcomes and deliver the decarbonised future that we have all committed to. The NI business community are keen to work constructively with the Utility Regulator and all stakeholders to develop an ambitious, resilient, and net zero compliant energy system.

CBI also note with interest that in the Prime Minister's recent Net Zero speech<sup>3</sup> he announced that the government would be introducing changes to significantly speed up planning and the process of obtaining a connection to the electricity grid and the introduction of a new strategic spatial plan for energy infrastructure. CBI NI members would strongly urge that similar measures are introduced in NI.

## Connection Charges

Under the current electricity connection regime in NI, the connector pays the full cost of connecting to the grid, this is a substantial cost that is significantly higher than that in GB or ROI due to the policy differences. CBI NI have been advised for example that some rural manufacturing firms have been required to pay hundreds of thousands of pounds to upgrade their network connections when competitors in GB or ROI do not face similar costs. Not only do these charges put Northern Ireland firms at a competitive disadvantage, but the current connection charging regime creates a disparity across the region - as firms based in rural areas pay significantly more for connections than those based in Belfast. We would also suggest that consideration is given to how the policy can be used as an economic enabler for business growth and the opportunity to "level" up across all regions in NI, to create equal opportunities for investment led employment in the future for manufacturing businesses.

In GB and ROI, the connector pays a percentage of the connection costs, and the remainder is socialised across the body of consumers, making GB and ROI more attractive locations for investors.

We note in their response to this consultation NIE Networks state:

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<sup>1</sup> <https://www.cbi.org.uk/articles/how-the-uk-can-win-the-green-growth-prizes/#:~:text=Our%20report%2C%20Going%20for%20Green,boost%20to%20GDP%20by%202030.>

<sup>2</sup> A list of the 27 green growth prizes are attached as appendix 1 to this response.

<sup>3</sup> <https://www.gov.uk/government/speeches/pm-speech-on-net-zero-20-september-2023#:~:text=This%20country%20is%20proud%20to,eases%20the%20burdens%20on%20families.>

*‘Connection costs paid by the customer connecting to the distribution network in Northern Ireland are much higher than in Great Britain (GB) or the Republic of Ireland (ROI). This is something that NIE Networks see as a barrier to meeting 2030 NI Energy Strategy targets and ambitions. Overall distribution connection costs in NI are comparable to those in GB and ROI; however, the way in which the overall costs are attributed to the connecting customer and the wider customer base are different. For customers connecting to the distribution network in NI, total connection costs are chargeable to the customer (including connection assets and reinforcement required at the connection voltage and one voltage level up). However, in other jurisdictions the reinforcement costs are socialised across the wider customer base and are not chargeable to the connecting customer or only a portion is chargeable. A shift to a shallower connection charging methodology (with a greater proportion of connection costs being socialised) would facilitate the increased adoption of renewable generation as well as LCTs<sup>4</sup> such as heat pumps and EV charging infrastructure. NIE Networks has experienced connections, particularly of LCT’s, that have been abandoned due to high costs. An appropriate charging methodology is essential to facilitate the achievement of all aspects of the new Energy Strategy and Climate Change Act whilst having the appropriate consumer protection in place. Any move away from NI’s current connection framework must be in the best interests of all NI consumers, including vulnerable customers. A shallower charging approach would help facilitate a non-discriminatory, fair and just energy transition, by breaking down cost barriers for the connection of LCT’s. With existing and future planned changes to policy and legislation, many consumers will no longer have a choice on whether or not to adopt LCTs. Moving to a shallower charging regime could contribute to improving the competitiveness of Northern Ireland as a place to do business. Adoption of a shallower connection charging methodology in Northern Ireland could be supported by learning and experienced gained in GB, which moved to an even shallower charging approach on the 1st April 2023.’<sup>5</sup>*

CBI NI fully concur with the above statement from NIE Networks and agree that the much higher connection charges paid by business in NI serve to stifle investment in low carbon technologies, ultimately, leading to a much slower transition to a net zero carbon environment in NI.

### The experience of CBI NI members

CBI NI members have provided us with information on their experiences in relation to grid connection charges and the impact this has had on investment decisions. To help inform your Call for Evidence we have provided a summary of this information in the following table.

<b>Business Sector</b>	<b>Cost</b>	<b>Impact on investment</b>
Large manufacturer	£76,487.06 - 27% of the total operation	<ul style="list-style-type: none"> <li>Delayed investment due to the cost.</li> </ul>
Transport	£222K 2.5% of connection cost quoted	<ul style="list-style-type: none"> <li>The business took the decision to proceed with the investment regardless of cost, but business felt that cost was excessive compared to cost elsewhere.</li> </ul>
Large manufacturer	£100K	<ul style="list-style-type: none"> <li>Investment went ahead but business stated: ‘In ROI as opposed to NIE capital cost is written down with customer over 20 years as part of your billing and naturally aligned with upgrade time period to which DNO assumes all future responsibility – in NI such capital is upfront as such in parallel with internal business costs as part of reinforcement.’</li> </ul>

<sup>4</sup> Low Carbon Technologies

<sup>5</sup>[Find out more about how we are regulated | Northern Ireland Electricity Networks \(nienetworks.co.uk\)](https://www.nienetworks.co.uk)

		<ul style="list-style-type: none"> <li>• Delay due to wayleave and conductor upgrade plus easement challenged.</li> <li>• Capturing total of 5MVA on 11kv network as part of business development prior to increase demand planned on industrial estate which may have impacted capacity on local 33kv system – thus requiring further expenditure at year 4/5.</li> </ul>
Large retailer	£700K 25% of £2.7m on development cost	<ul style="list-style-type: none"> <li>• The decision was taken to proceed with the investment regardless of cost, but business felt that cost was excessive compared to cost elsewhere.</li> <li>• There are NIE substation planning obligations of a minimum 99 year lease on sites – this has proven complicated and delayed implementation.</li> </ul>
Construction	£46,700 to swap connection from one supply to another Additional 1,000kVA project quoted at £1.2m	<ul style="list-style-type: none"> <li>• The works related to an upgrade to an existing supply to facilitate additional manufacturing facilities (250kVA increase). To achieve this, we were forced to sacrifice the MIC on a separate supply by 250kVA but still had to pay almost £50k for the service. Had we not been able to sacrifice this from another supply the overall cost would have been in the region of £450-500k.</li> <li>• Less than 10% of the new development cost was the Connection Charge because we were able to sacrifice some of our existing supply. Had this not been possible, the connection cost would have accounted for approximately 30% of the overall project cost.</li> <li>• The application for this job was submitted in September 2020 but was not completed until July 2022 (almost 2 years).</li> </ul>

As demonstrated from the information provided by CBI NI Members the current pricing arrangements adds significantly to investment costs and this has the potential to deter businesses from making new investments or having to scale back on the size of their investment. Therefore, a suitable connection charging framework is required that will ensure that Northern Ireland is as attractive for investment as neighbouring jurisdictions. It is important for NI to be on a level playing field with its closest neighbours to ensure investment is delivered at a similar pace.

### [Grid capacity - The Grid must cater for rising levels of Electrification](#)

At present, the regulator operates on a 'just in time approach', this is hindering business investment. Business certainty to invest is based on the ability to 'plug in' to the network, which requires sufficient capital to be in place. Moving to an anticipatory investment approach would allow the UR to anticipate legislation and invest in infrastructure ahead of time, this will not only minimise regulatory barriers, but this is also an economic stimulus to kickstart a green economic recovery from the pandemic and prepare NI for its net-zero future. CBI NI recommends that the UR shifts to an anticipatory investment approach and uses regulation to facilitate a green economic recovery and drive green innovation across the system.

The need to future proof NI's electricity network to achieve our energy goals cannot be overstated. Lack of capacity on the network currently deters crucial investment in renewable generation as investors need to see a clear route to market for their projects. With limited network capacity the region is already losing out in terms of renewable investors who are now exploring other markets where there is capability to absorb the renewable generation they can offer.

Investing in a low carbon system today, will not only be more secure but will also deliver savings and low-cost generation in the future. This will ultimately allow for more affordable consumer bills in the future – both domestic and non-domestic.

The CBI Northern Ireland **believes that demand for electrification will rise substantially** as heating and transport undergo transformational changes. For example, the increased use of Electric Vehicles (EV) and increased use of domestic heat pumps will all contribute to rising consumption.

The business community firmly believes that the network must be invested in now to assure investors that the projected increase in demand for electricity can be catered for. For example, a Q2 2022 **CBI survey found that ‘lack of EV charging infrastructure’** is the primary deterrent for businesses when it comes to investing in an electric vehicle fleet and associated infrastructure. To fail to invest now will only serve to slow the transition to net zero and also weaken business and consumer confidence in making the switch to EVs and other forms of sustainable heating sources.

It is also important to note that take-up of EV vehicles is currently significantly lower in Northern Ireland relative to the rest of the UK or the Republic of Ireland. The CBI’s EV Infrastructure Working Group was set up in 2021 as a response to the lack of EV charging facilities in Northern Ireland. That working group has concluded that “Future proofing the Electricity Grid” is a top priority for the region if the local EV market is to catch up with other regions and start developing at the required pace for meeting our low carbon commitments.

### Planning issues

The NI planning system is currently a significant barrier for investment in major infrastructure projects. most disappointingly is the length of time it takes to achieve planning in comparison to counterparts in GB and ROI. CBI NI has a seat on the interim Regional Planning Commission<sup>6</sup> and as part of this work we are currently gathering information from members to develop cases studies. We are content to share this information with the UR when it is completed. Our initial findings have shown that there remains significant delays throughout the process and we will be developing key asks in how these should be addressed.

### Conclusion

Under the current electricity connection regime in NI, the connector pays the full cost of connecting to the grid, this is a substantial cost that is significantly higher than that in GB or ROI due to the policy differences. Whilst the current charging methodology keeps cost increases for the consumer relatively low, it unfortunately has serious implications for business in terms of the attractiveness to invest in NI. In GB and ROI, the connector pays a percentage of the connection costs, and the remainder is socialised across the body of consumers, making GB and ROI more attractive locations for investors who can limit the cost of connections. In order to attract investment in NI and connect required volumes of generation for 2030 and 2050 targets to the NI grid, it is vital that there is parity between the charging regimes with NI’s closest competitors. CBI NI strongly recommends an urgent review of the NI charging regime to bring it in line with GB and ROI. We would also recommend that were appropriate NI draws on experience and best practice from elsewhere in developing any new policy framework.

We hope you find these comments useful.

Yours sincerely

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<sup>6</sup> <https://www.infrastructure-ni.gov.uk/articles/interim-regional-planning-commission>

A handwritten signature in black ink, appearing to read 'Angela McGowan'. The signature is fluid and cursive, with the first letter 'A' being particularly large and stylized.

Angela McGowan  
Director, CBI Northern Ireland

## Appendix 1 - The 27 green growth prizes

Theme	Opportunity	2030 prize
Electric vehicles	Export of high-performance IP	£16.5bn
	Export of manufactured battery cells	£2.2bn - £6.8bn
	Net savings gained from the roll out of EVs	£11.5bn
	Investment for the deployment of charging infrastructure	£2.3bn - £9.3bn
Low-carbon power	Additional investment through growth in offshore wind	£32bn
	Additional investment through growth in onshore wind	£10bn
	Net savings through deployment of offshore wind	£6.9bn
	Net savings through deployment of onshore wind	£0.4bn
	Exports of offshore wind cabling to the EU market	£1.8bn - £3.7bn
	Export of nuclear Small Modular Reactors	£4.7bn - £5.2bn
	Export of Long Duration Energy and Storage technologies	£4.8bn
Heating and insulation	Net savings from reduced curtailment costs	£2.3bn - 5.6bn
	Onshoring heat pump manufacturing	£0.2bn - £0.4bn
	Net savings from the deployment of district heating	£0.3bn - £0.8bn
	Inward investment into district heating networks	£5.2bn - £12bn
Green services	Savings created through energy efficiency improvements and modernised heating systems	£1.9bn - £6.3bn
	Green finance exports	£8.6bn
	Exporting digital services for global grid upgrades	£6.5bn - £18bn
Biofuels	Capturing a share of carbon offset trading markets	£16m - £300m
	Inward investment to secure SAF refining capacity	£2.5bn - £4.2bn
	Investment to scale the biomethane industry	£16.7bn - £22.5bn
CCUS	Net savings from the deployment of biomethane	£2bn - £4.3bn
	Exports of knowledge based IP	£1.4bn - £3.3bn
	Investment in carbon dioxide transport and storage for first two CCUS clusters	£5bn - £7.5bn
Hydrogen	Export of storage to Europe	£0.5bn - £1.1bn
	Export of IP for high-tech parts of the value chain	£2.7bn
	Inward investment in domestic hydrogen-use cases	£5.3 - £6bn