

Construction Employers Federation response to Department for the Economy/Utility Regulator Call for Evidence into A Review of the Connections Policy Framework in Northern Ireland, September 2023

Introduction

The Construction Employers Federation (CEF) is the certified representative body for the construction industry, including homebuilders, civil engineering firms and general contractors which employ c30,000 staff in Northern Ireland. The organisation has over 800 member companies ranging from micro businesses employing a handful of people to the largest construction companies in Northern Ireland. In total, CEF member companies account for over 70% of construction output in Northern Ireland.

The challenges facing homebuilding in Northern Ireland

In the context of the welcome launch of this Review, we believe it is important to reflect firstly on the current market conditions facing homebuilders locally and, consequently, the direct impact this is having on consumers.

For some 15 years, Northern Ireland has, on an annual basis, built only around 50-60% of its new build housing need. Taken cumulatively over that period, that has resulted in a dearth of new supply of housing of all types further exacerbating our social housing waiting list and the difficulties many have in being able to move from home rental to home ownership.

While recent years have seen positive steps by the Department for Communities to introduce new models of home ownership to the market as well as provide continued, vital support to Co-Ownership Housing, little has shifted the dial in terms of new home starts and completions.

With DfC's Draft Housing Supply Strategy targeting the delivery of 9,500 new homes each year for the period 2022-37, we believe that DfE and the UR must give greater consideration to promoting the short and long-term considerations of consumers with regard to the ability of homebuilders to build the housing that our community needs.

A critical challenge within this is not only the cost of homebuilding, which has been greatly exacerbated by the inflationary pressures of the last two-and-a-half years, but the uncertainty of those costs which can, consequently, lead to questions around the viability of schemes.

As we noted in our discussion with representatives from UR on 21st September, it is impossible for homebuilders to separate these costs and risks and see them as belonging to individual silos. While we understand and accept that the decarbonisation of our homes will retain an uncertainty in cost for some time, it is vital that more and more agencies of government see the cost and risk of homebuilding in its entirety. Unless and until that happens, then it is highly unlikely we will ever meet the targets that DfC have set thus further exacerbating the housing crisis that faces consumers.

Response to the Review

Given the above, the Review is important as it seeks to address a matter that has been of concern to homebuilders for some time – namely the much higher connection costs in Northern Ireland for new connections vis-à-vis the position in other jurisdictions.

In line with the response that has been made by NIE Networks to this Review, we concur with this being *“a barrier to meeting 2030 NI Energy Strategy targets and ambitions”*.

As factors such as consumer demand and the changes being made by the Department of Finance to NI’s Building Regulations continue to act as key drivers, then it is vital that new connections are treated more fairly than at present and, to again reflect on the submission made by NIE Networks, that *“the reinforcement costs are socialised across the wider customer base and are not chargeable to the connecting customer”*.

That is why we would fully support the proposed shallower connection charging methodology which has the socialisation of a greater proportion of connection costs at its core.

In addition, given the costs to consumers of such a change as have been detailed by NIE Networks, we believe that it can be in no way argued that this would have a disproportionate impact on domestic consumers. Rather, as we have said before, this will remove a large element of the cost and risk uncertainty facing homebuilders as they progress the decarbonisation of new homes thus making it more likely that they will be able to maintain current levels of homebuilding.

Further, such a move will likely make it more affordable for homebuilders to build with low carbon technologies at the centre of new homes and reduce the cost uncertainty and risk that currently exists. This would be an especially helpful step as we move towards the likely outcome of Phase 3 of the changes in NI’s Building Regulations which is expected to take place during 2024.

Where this Review does, however, become more challenging is with regard to the separate consultation being taken forward by NIE Networks with respect to the Standard Connection Charge for newbuild housing of 12 or more units.

While we understand that this relates to, in a specific sense, making that particular part of NIE Networks’ business cost reflective, we find it hard to accept that such a proposed 123% uplift in cost is being brought forward while DfE and UR are simultaneously considering fundamental reforms to connection charging.

Indeed, this is even more problematic for homebuilders as it has been strongly suggested to them that if the proposed changes in this Review were implemented – namely moving to a shallower connection charging methodology – that that would in turn reduce their SCC per dwelling.

We therefore take the strong view that, in advance of the SCC moving to a more cost reflective position, that DfE and UR need to advance a shallower connection charging methodology and then reassess, in conjunction with NIE Networks and homebuilders, what the likely impact of this would be on the SCC.

Homebuilders are keenly aware of the impact of inflation on costs over the last two-and-a-half years. Therefore, they are equally keenly aware of the impact this will have had on NIE Networks’ costs. However, it seems grossly unfair to be levying a proposed 123% increase in the SCC while at the same time holding open the potential that this may be reduced under a revised charging methodology.

We would request that DfE and UR would reflect on this as a matter of priority as they consider their next steps and in the context of the current homebuilding market and the need to protect consumers which we have previously laid out.