

## INTRODUCTION

IoD Northern Ireland welcomes the opportunity to respond to the NIE Networks (NIE) Transmission and Distribution price control (RP7) draft determination.

We welcome progress made to date and look forward to a final determination that:

- meets our electricity needs while balancing key uncertainties
- enables NIE Networks to do the work that is required while making sure that it is affordable to all customers, domestic and commercial
- enjoys the confidence of all stakeholders.

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum – from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.

The IoD was granted a Royal Charter in 1906, instructing it to "represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation."

The Charter also tasks the Institute with promoting "for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors", which the IoD seeks to achieve through its training courses and publications on corporate governance.

### Overarching IoD policy position

Stating that business is on board with the necessity of the transition and is looking for guidance and leadership from government on how to achieve it, **Grasping the Net Zero Opportunity**, the IoD business paper published in January 2024, asserts that:

- a long-term plan that extends beyond any one government and is underpinned by joined-up policy across government is [therefore] needed to establish consistency and predictability and enable a managed transition.
- the absence of clear government direction risks creating an inertia whereby both businesses and consumers delay decisions on transitioning to net zero until policy becomes clearer.

This will maximise the chances of achieving a business transition that is both commercially viable and sufficiently impactful.

## MEETING THE CHALLENGE OF NET ZERO

### Northern Ireland policy and regulatory landscape

RP7 is the seventh regulatory price control for NIE Networks, which will run from April 2025 – March 2031.

This response is developed in the context of the Electricity Policy Framework Review Consultation, which is now being reviewed by the Department for the Economy (DfE) and the Northern Ireland Utility Regulator (UR), and the future extension of the Utility Regulator's decarbonisation powers, recently announced by DfE.

More broadly, this price control takes place as we make a step change in how we connect electric vehicles, heat pumps and other renewable technologies.

It comes against the backdrop of delayed government targets and an absence of strategic direction for the deployment of these technologies.

Clarity of the direction of travel is crucial for stakeholders. The absence of clear targets makes it more difficult to make an evidence-based, calculated investment.

All regulators and utilities are grappling with the challenge of this next phase of energy as our networks and markets evolve to decarbonise.

Certain innovation in demand side technology has an impact on the grid, however over time this is moving towards business as usual.

This change in the grid is taking place against the backdrop of inflation and disruption to global supply chains which increases risk and uncertainty, combined with the inherent cost of energy Northern Ireland given the size of the grid and consumer base.

Businesses want confidence that the need for this investment will materialise. There is concern that other policy barriers and delays will prevent the anticipated investment among consumers.

## IoD NI reflections to date

IoD NI has been actively involved in the RP7 process. IoD members value the opportunity to contribute to this important debate and inform decision making by both NIE Networks and the Utility Regulator for Northern Ireland throughout the process.

Our response to previous stages is available from both IoD NI and UR. In it we welcomed:

- The introduction of the Business Plan Assessment
- NIE's stakeholder engagement activities
- NIE Networks and UR shared ambition to make sure that the electricity networks are fit to serve the needs of the people of Northern Ireland for generations to come.

IoD NI agreed that the delivery of a flexible, resilient and integrated energy system requires a change in approach from RP6.

IoD NI recognises that:

- RP7 is an important period in continuing the work started in RP6 to rebuild the local electricity system
- RP7 is a critical time for the delivery of the Energy Strategy and our transition towards net zero
- RP7 will see a significant increase in renewable generation and an increasing use of low carbon technologies, which are essential to set the pathway to net zero
- NIE Networks Transmission & Distribution infrastructure is central to connecting a low carbon future
- additional investment requires additional resources both financial and workforce
- will impact the network cost for electricity consumers.

The final RP7 determination must:

- address these needs while balancing key uncertainties
- allow NIE Networks to do the work that is required while making sure that it is affordable to all customers, domestic and commercial.

As stated in UR's Approach document (March 2022), the key outcome of the price control review is to set an efficient revenue cap to enable NIE Networks to deliver quality outputs that customers need.

This is based on an assessment of the business's plans for:

- the development, operation and maintenance of its networks in light of consumer needs
- the impact of the Northern Ireland Energy Strategy and the Climate Change (Northern Ireland) Act.

The Approach document identified key uncertainties that needed to be addressed over the period of consultation and the period of the price control itself. These included the:

- rate of development and distribution of new renewable generation and the uptake of electric vehicles. These will have a major impact on demand
- use of new technologies and the choices consumers can and are enabled to make. These will impact how electricity is distributed and consumed.

IoD NI agrees that new mechanisms are required to manage uncertainty including the purchase of services to defer investment and greater acquisition and visibility of data across the sector.

IoD NI shares NIE Networks and UR belief that the transition to net zero needs to be affordable, fair and inclusive for all.

### **Final Draft Determination: Comments and Reflections**

From engagement with our members, it is clear that they want more confidence that demand will come for net zero technologies and electrical systems, this will only come through creation of an environment and infrastructure where renewable technologies are easier to purchase, install and cheaper to run for consumers.

Domestic consumers and business alike now need to know how their electrical future will be facilitated with consideration of relative increased costs for domestic, SMEs and Large Energy Users important.

Given the scale of future electrification, the need for flexibility and agility to accommodate innovation and unpredictability in the network was emphasised as was the need for long-term strengthening of our electricity networks, accepting that some of this investment may be in advance of need.

The regulatory mandate in Northern Ireland restricts the Utility Regulator from considering environmental and economic issues in addition to its customer protection mandate. This can impact capital investment.

Broadening the mandate to consider the need for decarbonisation and economic development would create a regulatory framework that further supports innovation and strategic investment.

Members highlighted the need for other changes in policy, regulation and market operations that will enable the step change we need.

The outcomes of the Electricity Policy Framework Review will be crucial in terms of charging costs and this issue is just as important as the Price Control itself.

This needs to be matched by a Tarriff review as well as a full review of the transmission infrastructure approval process to ensure the significant increase in projects can be progressed to delivery stage without delay, helping to ensure the achievement of 2030 targets and beyond.

Turning to critical aspects of RP7, agreement on innovation, unit rate pricing and on the management of inflation is necessary to balance risk and cost to consumers both current and future.

We welcome initiatives such as the Annual Environmental Reporting and the Evaluative Performance Framework in the price control design.

There are a number of review mechanisms and reopeners within the RP7 Price Control that cover a range of issues. Our reflections are:

- Innovation needs to be progressed at pace and should be appropriately facilitated
- Given the volatility of inflation and the uncertainty of this over the next five years, it is essential that review mechanism and reopeners allow for the timely review of inflation and unit prices without disproportionately adding regulatory burden and unintended consequences that could lead to negative consequences for customers from the price control design.

How these issues are dealt with is a key consideration and should be subject to appropriate review by both parties over the lifetime of the Price Control.