

Transmission and distribution 7th price control (RP7) draft determination

Prospect submission to the Utility Regulator

Introduction

1. Prospect is one of the UK's largest energy trade unions. Our response to this consultation is informed by the experience of more than 23,000 members in energy generation, transmission, distribution, system operation, and research roles around the UK. This includes nearly 400 members at Northern Ireland Electricity (NIE) Networks.
2. We welcome the overall direction of the RP7 price control. Prospect wants the UK to build a clean, reliable, and affordable energy system that supports highly skilled jobs in all parts of the country. This requires substantial investment in Northern Ireland's transmission and distribution networks to facilitate the rollout of clean generation and meet rising electricity demand, including to support government ambitions to grow electricity use in heating and transport. As NIE Networks' business plan outlines, this is an opportunity to create a significant number of highly skilled jobs within the business, its contractors, and its wider supply chains.
3. We support a robust price control process that facilitates necessary investment while keeping energy bills fair and affordable for consumers. However, we have several concerns with the Utility Regulator's draft determination, which we believe risks creating unnecessary barriers to delivering network infrastructure. We urge the regulator to:
 - Enable NIE Networks to recruit and retain specialist workers in a competitive labour market
 - Ensure sufficient resourcing (direct and indirect) to deliver ambitious capital investment plans
 - Facilitate significant investment in skills and workforce development

The rest of this submission sets out our response in detail.

Real price effects

4. We are concerned that the proposed real price effects (RPEs) calculation makes no provision for specialist labour.
5. NIE Networks' workforce includes engineers, technicians, managers, and other specialists with skills that are in high demand across the energy sector and wider economy. The business is already competing with hundreds of similar employers in Northern Ireland, Great Britain, and Ireland for skilled staff.¹ It must be able to offer fair and competitive pay to recruit and retain skilled workers in a competitive labour market, including facilitating the significant expansion of its workforce (up to 1,000 new direct roles) required to deliver the RP7 plans.²
6. While the regulator cites analysis that salaries for key occupations are currently growing slower than the Office for Budget Responsibility (OBR) average hourly earnings index, this is not Prospect's experience for the electricity sector employees it represents, as salaries are currently increasing beyond inflation and there is no sign of this changing in the short term, primarily due to the significant demand for these highly skilled jobs in the electricity sector.
7. Demand for specialist energy skills is going to increase in the coming years as the energy transition accelerates across the UK and Ireland, which is NIE Networks' primary source of

¹ https://www.nienetworks.co.uk/documents/future_plans/rp7-business-plan-full-report-april-2023.aspx

² https://www.nienetworks.co.uk/documents/future_plans/rp7-business-plan-summary-april-2023.aspx

labour. Existing challenges in areas such as engineering, project management, and data and digital are widely expected to worsen.³ Employers in the energy and utilities industry already report significant problems filling vacancies and anticipate further issues to come.⁴ At the same time, the energy industry is expected to lose significant numbers of experienced workers in the coming years, with a fifth of current staff set to retire by 2030.⁵

8. The draft determination provides weak justification for diverging from the best practice of separating general and specialist labour categories, which is the approach taken in Ofgem's RIIO-ED2 final determinations.⁶ We strongly encourage the regulator to introduce a separate provision for specialist labour.

Workforce requirements

9. We are also concerned about the significant reduction in IMFT and indirect costs (IMFT&I) in the draft determination. It is vital that the increased workload associated with ambitious capital investment plans are properly reflected in IMFT&I allowances. Otherwise, there is a risk that NIE Networks cannot employ enough staff to support the delivery of its infrastructure plans, with a knock-on impact on Northern Ireland's energy and climate goals.
10. The regulator's assumption that half (50%) of the gap between its analysis and NIE Networks' analysis is due to scope differences between Northern Ireland and GB appears arbitrary. Without further explanation of how the regulator has reached this figure, we are concerned that the draft determination risks a lack of proper resourcing at the company.

Skills and training

11. Finally, it is vital that NIE Networks can invest in training to meet the required growth in its workforce. For several years Prospect has been warning about a growing skills crisis across the UK's electricity networks. A recent survey of Prospect members in UK transmission and distribution companies found more than two thirds (69%) reported skills shortages or gaps in their organisation, with widespread concerns about a lack of experienced engineers. Four out of five (82%) said staffing levels were too low in their workplace and nearly two thirds (63%) had vacancies in their team.⁷
12. These concerns are echoed by figures across the industry. In a 2023 report the UK's Electricity Networks Commissioner Nick Winser concluded that skills shortages are 'becoming a constraint on delivering net zero'.⁸ The International Energy Agency also warns 'skills shortages threaten to slow the ramp up of clean energy technologies'.⁹
13. The final determination must provide sufficient resources to facilitate significant investment in skills, including apprentice, trainee, and graduate programmes as well as opportunities for reskilling, upskilling and professional development at all levels of the organisation.

³ For example, see <https://www.nationalgrid.com/document/126256/download>, https://www.owic.org.uk/_files/ugd/1c0521_94c1d5e74ec14b59afc44cebe2960f62.pdf

⁴ <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/2023-labour-market-outlook-summer-2023-8449.pdf>, pp. 8-9

⁵ <https://www.nationalgrid.com/document/126256/download>

⁶ <https://www.ofgem.gov.uk/sites/default/files/2022-11/RIIO-ED2%20Final%20Determinations%20Core%20Methodology.pdf>

⁷ Prospect's energy sector survey ran between October and November 2023 and received 1,990 responses, including 760 responses from workers in electricity network companies around the UK.

⁸ <https://www.gov.uk/government/publications/accelerating-electricity-transmission-network-deployment-electricity-network-commissioners-recommendations>

⁹ <https://www.iea.org/news/clean-technologies-are-driving-job-growth-in-the-energy-sector-but-skills-shortages-are-an-increasing-concern>

Conclusion

14. The RP7 price control covers a vital period for Northern Ireland's clean energy transition. We urge the Utility Regulator to carefully consider the concerns outlined in this submission to ensure it is a success.