



475 Antrim Road
Belfast
BT153DA

T: 02890370222
F: 02890371231
E: info@ufuhq.com
W: www.ufuni.org

20 March 2024

Alan Craig
Utility Regulator
Finance and Network Assets
Queens House
14 Queen Street
Belfast
BT1 6ED

Dear Alan,

Ulster Farmers Union Response to Utility Regulator RP7 Price Control Draft Determination Consultation

The Ulster Farmers Union (UFU) is the largest landowner representative organisation in Northern Ireland with over 12,000 members and we welcome the opportunity to reply to this Draft Determination.

Northern Ireland Agriculture Role in Energy

Northern Ireland agriculture plays a three-part role in energy; landowner, local demand customer and renewable generator.

1. **Landowner** - The electricity infrastructure covers thousands of kilometres of cables, poles and transformers crossing our members land and there are thousands of wayleave agreements as well as formal and informal land access agreements.
2. **Local Demand Customer** - Farm businesses are direct customers, consuming large and significant volumes of electricity. Farmers and landowners rely upon these lines which cross their land are reliant upon the electricity transmitted and distributed to run their farms.
3. **Small Scale Renewable Energy Generators** - As well as being major load customers, over the last decade our members have become significant generators of renewable electricity; Small Scale Wind, Hydro, Anaerobic Digestion and Solar PV. This has shown the commitment of the land-based sector in Northern Ireland to embrace renewable energy.

Subsequently, Northern Ireland farmers are possibly the best example of 'prosumers'. Northern Ireland met its 2020 target of 40% of electricity from renewables, with the land-based sector providing enough energy to power 150,000 homes. This was despite significant barriers faced by our members, namely a chronic lack of spare grid capacity and astronomic quotes and subsequent high costs to connect to the grid.

UFU Response 'A Future Network for all – NIE Networks RP7 Control – Our approach to planning for 2025-2031'

In November 2022, the UFU responded to the NIE Networks proposal. We acknowledged what was a very positive body of work, stating that it reflected the significant challenges faced on the journey to reach the goals set out with Climate Change legislation and energy policy.

In our response to NIE Networks RP7 document we called for 'blue-sky thinking' in terms of how the grid operates, specifically with no spare capacity for many wishing to connect to the network. In the last 6 months

the UFU have responded to two significant and innovative bodies of work and would urge that these are considered alongside RP7; Review of Connections Policy Call for Evidence and NIE Networks Flexible Connections.

- **Review of Connections Policy Call for Evidence** – In September 2023, the Utility Regulator and DfE sought stakeholder evidence to assess potential changes to the current grid connections policy framework in NI, in order to establish the costs and benefits of potential changes. Currently in Northern Ireland, for both demand and generation connections, all reinforcement costs at the same voltage level as well as one voltage level above that of the connection voltage are charged to the customer, which is known as “deep” charging.

UFU are supportive of a move away from the deep charging connection and to a shallower regime on a par with that recently introduced in GB. The UFU envisage that a lower proportion of connection costs would be paid by the connecting party, in other words address the bane of ‘developer pays’ and associated high connection costs.

- **NIE Networks Flexible Connections** – NIE Networks sought responses on flexible connections in August 2023. There are a number of different flexibility services available which can be considered and these apply to the sector we represent in varying degrees. Flexibility services are a range of existing and developing solutions that electricity system users can provide to help balance demand and supply in the electricity network and support its efficient use. Local demand customers will benefit from flexible connections, but we raised our concerns about the introduction of a dynamic electricity pricing system, with peak and off-peak prices and the impact on farmers in their position as local demand customers.

There has been no further update and we would urge that these bodies of work are expedited and we would urge that these are considered alongside RP7.

The UFU concern is that Zero Export is then only way for our members to connect to the grid, and this is only viable when the end-user is a heavy user of energy. Consequently, with no available capacity on the grid, the UFU are at a loss as to how we are going to meet RES-E targets by 2030.

Utility Regulator RP7 Price Control Draft Determination Consultation – UFU Overview

NIE Networks had asked to be allowed to spend £2.55 billion and the UR determination is 16% lower than the amount requested by the network owner. Whilst lower than the amount requested, the UFU welcome the UR’s acknowledgement of the need for increased investment in the electricity network to facilitate the journey to net zero and to continue to deliver reliability/resilience against the backdrop of what is an ageing network. Specifically we recognise the £1.349 billion to be spent on capital expenditure, which includes investment in the distribution and transmission networks and metering work.

Whilst, the UR have determined a lower figure than NIE Networks requested, the UFU recognises that the UR is by no means proposing that the company delivers less. This is reinforced by the statement that the draft determination has been made to enable NIE Networks to deliver the investment to facilitate the energy transition.

Crucially looking beyond RP7, the UFU welcome the commitment from the UR that increased investment planned for 2025-2031 is expected to continue for at least two further price control period, which would be RP8 and RP9, reflecting the commitment to meeting net zero obligations.

UFU concurs with NIE Networks that demand for electrification will rise substantially as heating and transport undergo transformational changes. Yet at the same time, the Network will also need to accommodate conventional connections, namely in the form of farming enterprises wishing to evolve and adapt their energy use, not necessarily small scale renewables, but more energy efficient methods of on-farm production as well as the energy source upon which they rely.

The farming community is adamant that the network must be invested in now to ensure that our farm businesses are able to function to their optimum capacity on a day-to-day levels but also to enable them to integrate small scale renewable energy generation/low carbon/energy efficient technology into their businesses.

DfE Energy Strategy

From a policy perspective, what is clear is that it is impossible to speed up energy transition. What is imperative that you need a strong, clear and stable energy policy to incentivise and encourage investment.

The Northern Ireland Energy Strategy – The Path to Net Zero Energy was published in December 2021 and is moving at a very slow pace, which is a grave concern. We are just over 5 years away from 2030 with no indication whatsoever as to what support may be available to assist in the uptake of adopting renewable generation by our members.

However, unless there is more transparency especially in terms of progress, in energy strategy, a change of thinking in how we connect to the grid, grid design and how they operate, including the mandate of the Utility Regulator. Failure to do so means we are facing a situation where we could fall short of the renewable energy targets we are being asked to meet by 2030.

We need to focus on support for small scale renewables, or specifically, no support for any small scale generation in Northern Ireland and unfortunately this has been the case since 2017.

The 2023 Energy Strategy Action Plan Report was published by DfE on 1st February 2024, outlining progress made against each of the 12 Actions set out in the 2021 Energy Strategy. Unfortunately it reinforces the UFU view that there is a lack of urgency and progress on the part of DfE.

Action Point 7 – ‘Launch the design of a renewable electricity support scheme.’ Publish the final design of renewable electricity support, along with a pathway and timeline for the support being in place. Following industry and key partner engagement on the proposed design, in December the Department will publish the high-level scheme design in early 2024 alongside the Departmental response to the consultation.

It is now March 2024 and we have still heard nothing from DfE.

The message from the Ulster Farmers Union is that the land-based sector is ready to play our role in energy transition, through the further adoption of renewable energy generation and driving energy efficiency on our farms. DfE have cited energy transition as being the biggest boost to economic development in the last 150 years, yet if some in industry are to be taken at their word, we are already losing the race and if that this muddled projection of energy policy persists, we will lose the race altogether.

Utility Regulator RP7 Price Control Draft Determination Consultation – UFU Response

The one question posed by the UR in their Draft Determination related to NIE Networks basing its central estimate of new demand on the connection of 300,000 electric vehicles and 120,000 heat pumps by 2030. UFU concurs with NIE Networks that demand for electrification will rise substantially as heating and transport undergo transformational changes. Yet at the same time, the LV network will also need to accommodate conventional connections, namely in the form of farming enterprises wishing to evolve and adapt their energy use, not necessarily small scale renewables, but more energy efficient methods of on-farm production as well as the conventional energy use upon which they rely.

Earlier in this document we highlighted the backdrop of an ageing network and this must be considered with the increasing demand on the LV network which our members rely. The farming community is adamant that the network must be invested in now to ensure that our farm businesses are able to function to their optimum capacity on a day-to-day levels but also to enable them to integrate small scale renewable energy generation/low carbon/energy efficient technology into their businesses.

There are a number of areas within the draft determination which require focus going forward as the UFU believes that these will impact upon our members in the delivery of RP7.

The four areas identified relate to;

- 1) Anticipatory Investment.
- 2) Innovation.
- 3) Worst Served Customers.
- 4) Line Diversions

1) **Anticipatory Investment.**

The UFU are of the opinion that network reinforcement allowances should be set ex-ante.

This would provide sufficient certainty to allow anticipatory network investment where appropriate. The UR secondary network reinforcement (c.£100m) allowance is almost entirely set as a volume driver (in other words not ex-ante). This proposed volume driver carries a risk of annual disallowances following a UR review.

This is a reactive approach to network investment and one that the UFU have previously questioned. Such an approach will disincentivise anticipatory investment and will negatively impact upon supply chain certainty.

UFU Request - The secondary network reinforcement allowance is provided as an ex-ante allowance.

2) **Innovation**

In their submission, NIE Networks requested £8.8m ex-ante funding for 11 defined innovation projects.

According to NIE Networks, the backdrop to this is £6.6m of RP6 innovation funding led to the release of £25m in customer savings in RP7.

Network Innovation Fund (NIF) operates as an annual reopener mechanism, so as to release additional funding for other projects, including whole system projects, which materialise throughout the period. The level of detail and justification required by the UR in certain instances is not commensurate with the business case of typical innovation projects. In such instances, much of the detail only becomes available during once a project is completed. There is limited risk to customers, as any underspend in the proposed mechanism is passed back entirely to customers.

The UR Draft Determination is proposing a significant reduction in ex-ante allowances of £4.7m, with only one mid-point reopener provided. One re-opener does not provide sufficient agility to respond to the speed of innovative projects. The UFU are concerned that in a worst case scenario, a potential project could have to wait for 3 years before a cost recovery option becomes available.

UFU Request - There should be an increase in allowance for defined projects and for the increased frequency of reopeners. Thereby acknowledging the need to respond in reasonable timescales to innovation proposals.

3) **Worst Served Customers (WSC)**

Rural location - With c.40,000 farms throughout Northern Ireland, our members are reliant upon the LV network and lines. If you consider the fact in Northern Ireland there is approximately 3.5 times more overhead line per customer than the average Distribution Network Operator on the UK mainland, this illustrates the importance of a resilient, modern and fit for purpose electricity network being available to all our members. Many of our members would be termed WSC such is their rural location, hence we have a vested interest in this matter.

NIE Networks in their Submission requested £3m to improve Worst Served Customer performance and for severe weather allowance to be moved from an ex-ante allowance to pass through.

The UR in their DD paper did not agree to any allowance for WSC, instead suggesting that this should be accommodated within the overhead line investment programme. Secondly, severe weather should be set as an ex-ante based on an historic run rate.

There is no allowance for specific WSC benefits. Subsequently, the UFU are concerned that this section of our membership will be left behind in the energy transition if not specifically targeted.

- **Severe weather** - Severe weather is entirely outside of our control and whilst it is part and parcel of farming, it is becoming more prevalent, therefore we consider it unreasonable to set this as ex-ante, with unreasonable risk for our members.

UFU Request – On account of the rural geographical location of our membership, we are asking for an allowance for WSCs and also that severe weather should be set as a pass through cost.

4) Line Diversions

When a new development is built under a line, NIE Networks will raise the line above the development in order to keep it out of safety distances.

However, based on first-hand experience we now know that this option, whilst least cost, can result in significant bird fouling issues for our members farms, as well as posing safety concerns if the line were to fall during increasing instances of severe weather.

In their RP7 submission, NIE Network proposed that instead of raising lines, they are diverted around the building or undergrounded, with the costs being socialised across all customers.

The problem lies in that it is extremely difficult to forecast the overall cost of this change of approach. This is because each jobs price can vary significantly and the number of developments that will build under lines in RP7 is unknown. Consequently, NIE Networks requested that the cost of this change of policy would be via a 'pass through' mechanism under the Non-Recoverable Alterations (NRA) allowance.

The Utility Regulator has not accepted the pass through mechanism and not allowed for any additional allowances to cover this change of policy.

UFU is concerned that without a change of policy, bird fouling issues will be deferred to a list of issues which will need to be addressed at a later date.

UFU Request - Same as original request. The UR provides a pass through mechanism to cover additional costs associated with this change of policy.

Concluding remarks

The UFU believe that there is an overarching need to future proof Northern Ireland's electricity network to achieve our energy goals and this cannot be overstated. However, the lack of available capacity on the network currently deters our members wishing to connect small scale renewable energy to the grid, inhibiting not just economic development but is also holding back our net zero aspirations as an industry.

If you have any questions regarding this response feel free to contact me on 07734 599480 or via email cosborne@ufuhq.com

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Osborne'.

Chris Osborne
UFU Senior Policy Officer