



Northern Ireland
Chamber of Commerce
and Industry

NIE NETWORKS PRICE CONTROL CONSULTATION

Response from
NI Chamber

November 2022

RP7 Consultation Response

About NI Chamber

With 1,000 members, representing over 105,000 employees, Northern Ireland Chamber of Commerce and Industry (NI Chamber), has supported the development of the economy for almost 240 years and is 100% funded by the private sector. We work across all of Northern Ireland, helping SMEs to grow and export and larger firms to thrive.

Our membership spans businesses across key sectors including manufacturing, construction, professional services and a broad range of wider services. NI Chamber consults with these members on a regular basis, around all issues/concerns that they face in doing business locally, nationally and internationally.

Approach to 2025-31 (RP7)

NI Chamber welcomes the opportunity to respond to this consultation on NIE Networks approach to planning for the period 2025-31 (the Relevant Period). As a cross-sector business representative body operating across Northern Ireland, NI Chamber is uniquely positioned to reflect a diversity of experiences and business needs on the future of the electricity network.

As acknowledged at the outset of the consultation document, the Relevant Period arises in the context of ambitious and exciting targets for both reductions in greenhouse gas emissions, and renewable generation. Whilst the key themes of the consultation are welcome, credible and necessary for the Relevant Period, large scale capital investment in the network is not merely desirable, but rather is necessitated by climate change demands, and the ambitious strategic targets and statutory commitments set by the Northern Ireland Assembly during the last Assembly term.

Against the background of limited public finances, attracting private sector investment to Northern Ireland is critical if we are to achieve the initial targets of 80% renewable generation and a 56% reduction in emissions by 2030. Delivering on the targets is where the challenge lies, but with the right approach the opportunities for green growth are considerable.

As noted by the UK Committee on Climate Change, *"Northern Ireland's contribution to our recommended UK Sixth Carbon Budget [less ambitious than the NI Climate Act 2022] involves a large sustained increase in investment in Northern Ireland, adding around £1.3 billion annually by 2030. The largest increases are for low-carbon power capacity, retrofit of buildings and the added costs of batteries and infrastructure for electric vehicles. This required increase in investment can be delivered largely by the private sector¹."*

Material investment in the network, together with the necessary regulatory reforms, is needed at pace to ensure that Northern Ireland's households and businesses are not left behind or at a further disadvantage to other UK regions and the Republic of Ireland.

¹ UK Committee on Climate Change, Letter to the former Minister for Agriculture, Environment and Rural Affairs, Edwin Poots MLA, 1 April 2021

As is acknowledged in the consultation document, it comes at a sensitive time for all domestic and non-domestic consumers. With inflation reaching a 40 year high, it is of no surprise that the key cost increase identified by our members currently is the cost of energy. In our most recent survey, 1 in 4 businesses have seen energy costs rise by 50% or more between Q2 and Q3 of 2022 alone. 1 in 10 have seen costs more than double. A perfect storm of cost pressures facing business including rising utility and fuel costs, raw material costs and wages are putting pressure on working capital, prices and in some cases business survival. Whilst most businesses continue to trade well or at least reasonably, 1 in 5 tell us that at present they are simply covering costs.

Although the beginning of the Relevant Period is not for some time there is no clear indication as to how or indeed when the energy markets will stabilise. As a business representative body, it is our view that any proposed additional costs over the relevant Period (over and above what are volatile supply costs) are communicated clearly, transparently and meet 3 core principles of fairness, namely:

1. Fairness of Ambition: proposals must be aligned to the latest statutory obligations and demonstrate that the ambition matches the reality of the challenge both in its timescales and its extent;
2. Fairness of Accountability: proposals must be coherent, transparent and subject to adequate accountable governance mechanisms; and
3. Fairness of Costs: The proposals must be affordable and achievable, distributed equitably among businesses, workers and consumers.

However, the current challenges and the extent to which the energy crisis strays into the longer term should in no way undermine the long term policy objective of de-carbonisation. The importance of transforming an ageing network into an enabler of low carbon technologies (LCTs) should not be underestimated. It is our view that investment in the network during the Relevant Period will give a clear signal of intentions as to whether Northern Ireland is prepared to deliver an ambitious and inclusive low carbon transition.

What is more, as demand grows with adoption of new LCTs the resilience network will be tested considerably over the Relevant Period. The importance of digitization and data will be key to

managing the transformation by improving efficiencies to drive value and increasing transparency to build confidence. In that regard, and in the broadest sense, it would seem obvious that investment in innovation should go further than the innovation allowance provided over RP6.

While the flexibility first strategy is welcome, there will be a need to develop and communicate “uncertainty management mechanisms” clearly and visibly to ensure that there is sufficient flexibility and agility to enable the investment required. Flexibility and agility should no less be carefully balanced with clarity on the scale of investment required to provide the necessary confidence in the process.

Finally, while we welcome the specific reference in the consultation document to working with the Utility Regulator to reform the current Statement of Connection Charging (SoCC), it is worth highlighting that this issue is regularly raised by investors as placing Northern Ireland at a competitive disadvantage to GB counterparts – and is one that must be addressed to facilitate the transformation required.

NI Chamber welcomed the opportunity to engage with this review and remains open to further discussion at any time.

ENDS

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