



Northern Ireland  
Chamber of Commerce  
and Industry

# A REVIEW OF THE CONNEC- TIONS POLICY FRAMEWORK IN NORTHERN IRELAND

## Response from the Northern Ireland Chamber

September 2023

# A Review of the Connections Policy Framework in Northern Ireland

## 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.

## Introduction and Background

NI Chamber welcomes the opportunity to respond to this call for evidence from the Utility Regulator (the **Regulator**) and the Department for the Economy (the **Department**). As a cross-sector business representative body with members established in every county of Northern Ireland, NI Chamber is uniquely positioned to reflect a diversity of experiences and business needs on the future of the electricity network – including the renewable industry supply chain, transport, energy intensive industries and SMEs.

As we approach the end of 2023, Northern Ireland has less than 6 years to achieve what are very ambitious statutory Climate Change targets as set out in the Climate Change Act 2022. Namely, that

Northern Ireland will achieve 80% renewable electricity generation and a 56% reduction in emissions.

NI Chamber welcomes the associated ambitions set out in the Energy Strategy where the Department for the Economy outline a target of doubling the green economy to £2 billion per annum. With the right approach Northern Ireland has a myriad of opportunities to enter a new era of sustainable and inclusive economic growth, driven substantially by policy decisions underpinning the energy transition. With 51% renewable generation achieved to date, we have made a strong start, but the challenges in getting to 80% are real, substantial, and somewhat alarming.

To that end, we note the comments of the UK Committee on Climate Change in its advisory report earlier this year, *“These targets are extremely challenging and will be unachievable without immediate policy actions,”* with decarbonisation of the electricity network at scale highlighted as a key near term action.

As also 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 sector<sup>1</sup>.”*

For too long, the lack of regulatory reform on the grid has undermined Northern Ireland’s competitiveness, on the island of Ireland and as a region of the UK. Action is needed at pace to facilitate the increased adoption of renewable generation as well as low carbon technologies (**LCTs**) such as heat pumps and electric vehicle (**EV**) charging infrastructure and support demand connections for high growth sectors like advanced manufacturing, and life and health sciences.

At NI Chamber we would wish to see a revised policy framework that meets the following objectives:

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

- **Unlocks** ambitious projects at scale that contribute to achieving the targets of the NI Climate Change Act and the associated ambitions in the Energy Strategy;
- **Restores** Northern Ireland’s place as a competitive jurisdiction for both renewable investment and high growth sectors like advanced manufacturing - on the island of Ireland, as a region of the UK and on the global stage, and
- **Drives** a sustainable economy for the future by delivering value for the consumer, based on good governance, transparency and equitable fair terms and conditions that strikes the right approach for both demand and generation connections alike

It must be acknowledged that Northern Ireland is currently at a distinct competitive disadvantage when it comes to connection costs borne by the customer against comparable costs borne in Great Britain (**GB**) and the Republic of Ireland (**RoI**). NI’s partial deep connection policy has, and will continue to struggle against the shallow and shallowish arrangements in GB and RoI respectively.

Indeed, connection costs have been described as so significant that the adoption of low carbon technologies have had to be abandoned.<sup>2</sup>

Notably, as both the Utility Regulator and the Department will be aware, further reforms have been made in GB earlier this year which creates even shallower distribution connection charges with effect from 1 April this year. In one respect this leaves NI at least 2 steps behind GB on its approach to grid connection, but it also creates an opportunity for NI to learn from the experiences in GB if NI was to consider moving to a similar, shallower charging methodology.

## Guiding Principles

NI Chamber acknowledges and agrees with the guiding principles outlined in the call for evidence document. Namely:

- The outputs from the Connections Policy Framework review will facilitate the delivery of the Executive’s Energy Strategy targets.

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<sup>2</sup> NIE Networks, “Response to a Review of the Connections Policy Framework in Northern Ireland” September 2023 P12

- The outputs from the Connections Policy Framework review will facilitate a just energy transition. In doing so it will seek to benefit all electricity consumers in NI, ensuring the costs of any changes in relation to connections are proportionate to customer benefit.
- The Connections Policy Framework review will set out the necessary legislative and regulatory changes to ensure facilitation of the future connections framework that descend from this review.

However, we would underline the need to be more mindful of, and connected to, the ambitions laid out in the following:

- The Climate Change Act 2022; and
- “10x Economy - an economic vision for a decade of innovation”

The target of achieving 80% renewable generation is at the heart of driving green growth. But currently Northern Ireland is at a clear and distinct disadvantage when it comes to attracting the necessary investment in renewable generation.

In our discussions with member businesses in the renewables sector, it is clear that there are three key blockages (although non-exhaustive) when it comes to investment– the performance of the planning system, grid connection costs, and the lack of a support mechanism to incentivise investment at scale. NI Chamber very much welcomes that this call for evidence is being moved following the consultation on a support mechanism by the Department earlier this year. However, urgency of reform across planning and grid connection and delivery of a support mechanism is needed in order to restore Northern Ireland’s competitiveness as a place to invest.

By comparison we have seen real and substantial planning reforms in other parts of GB, shallower connections charges were introduced there earlier this year, and a contract for difference support scheme has continued in operation. It is the view of NI Chamber that the continued absence of both grid connection policy reform and the introduction of a support mechanism risks undermining the opportunities to attract renewable investment at scale, as a simple matter of competitiveness with neighbouring jurisdictions.

## Shallow or Deep Approach?

NI Chamber believes that the current partially deep connection boundary is no longer appropriate or fit for purpose from a business perspective. Under the current methodology, higher connection charges result where capacity is limited and there are extensive reinforcement costs. As a starting point, one of the major blockers to investment is that under the current regime, early movers (to LCTs for example) bear the substance of reinforcement costs, even if those early movers do not require all the new capacity that is created as a result.

The consequence is the risk of a growing culture of potential investors seeking connection to the network in the same area/section of the network holding back investment to see who moves first (and as a result bears the cost).

The challenge with bearing the costs as a first mover is compounded by the fact that the connection costs are higher in NI than they are in GB or in the Republic of Ireland. For as long as the “first mover” customer carries such a significant burden for upgrading the network there is less scope to consider the wider needs and demands of the network from other existing and future users.

If it is accepted that a shallower connection boundary is required, care will need to be taken with the socialisation of costs and how much any change impacts upon domestic and non domestic customers alike. In that respect, the Utility Regulator should bring forward a more detailed cost benefit analysis for further scrutiny. Some learnings could be gained from the new regime in GB which applies a “High Cost Project Threshold” (**HCPT**) to ensure that customers do not unfairly bear the costs of high cost projects, ie projects set at over certain thresholds. Rather, in such circumstances, the connecting customer pays a higher proportion of reinforcement costs and the cost of all the new assets. If such a model is to be followed, it is crucial that the right balance is struck for each of demand connections, generation connections and the overall protection of customers. Notably, the new regime in GB differentiates between demand connections and generation connections, with the threshold for generation connections set at £200/kW and £1720/kVA for demand.

Whatever approach is taken, full and meaningful engagement is required with both generation and demand stakeholders, and consumers, to ensure that it is ambitious, fair and competitive.

## Timelines for Connection Offers and Planning

In this call for evidence, the question is raised as to whether the current 3 month timeline to be obtain connection offers should be retained. Having consulted with industry, whilst understanding the complexity involved in the application process, there is a consistent view that the 3 month timeline is generally accepted but shorter timeframes should be considered for smaller scale projects.

The question is also raised as to whether if our legislation facilitated it, should obtaining planning permission be a pre-requisite in order to receive a grid connection. NI Chamber understands the challenge presented by speculative grid connection applications however legislating for what would be an inflexible statutory pre-requisite would not be appropriate as it adds considerable risk and front-loads considerable planning costs onto the developer.

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

### **ENDS**

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