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26 April 2022

Dear Sean

## **NIE Networks RP7 Price Control: Our proposed approach**

### **CONSULTATION RESPONSE BY ENERGY SAVING TRUST**

Thank you for giving us the opportunity to respond to the periodic price control review of NIE Networks' activities to determine efficient costs linked to outputs and levels of service. We recognise that the key outcomes of the price control review are intended to set an efficient revenue cap to enable NIE Networks to deliver quality outputs that customers need.

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use. We aim to address the climate emergency and deliver the wider benefits of clean energy as we transition to net zero. We empower householders to make better choices, deliver transformative programmes for governments and support businesses with strategy, research, and assurance – enabling everyone to play their part in building a sustainable future. As

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Programme Administrator, on behalf of the Utility Regulator, of the Northern Ireland Sustainable Energy Programme (NISEP) we understand the complexities and energy efficiency challenges in Northern Ireland and, with our UK and international perspective, this means we can contribute ideas and solutions for the future.

Our response focuses on the key areas of the Energy Saving Trust’s activities and related issues under the headings as listed in the consultation summary.

### **The context for the price control**

Energy Saving Trust recognise the challenges for both NIE Networks and the Utility regulator following on from the publication by DfE of its new Energy Strategy “A path to net zero energy” in December 2021 [Energy Strategy – Path to Net Zero Energy | Department for the Economy \(economy-ni.gov.uk\)](#), and a future Decarbonising Heat consultation the results of which will have a major bearing on network demands. In addition, we recognise the opportunity to disrupt and drive change smart meters could bring and welcome the proposed re-opener mechanism to address any costs arising. Overall, we support the use of uncertainty mechanisms which will allow the determination to be adjusted where connections and changes in demand are materially greater or less than anticipated. Following recent world events our view is that focused energy efficiency retrofitting must be a priority and the recent cost uncertainties especially the price of gas will help drive the move away from fossil fuels. Invariably whilst business case requirements provided by NIE Networks will reflect all forecast scenarios in the Energy Strategy, these developments will cause a much greater demand on the network in relation to both electric transport and deployment of renewable heat.

We support the statement “The company should consider the potential for alternatives to investment such as the use of local services such as contracted services for demand reduction or consumer demand management in response to price signals” as these services will be essential going forward for effective network management and renewables integration. Distributed storage solutions, access to real-time consumption data, market development aimed at minimising demand peaks and diversification of the renewables base will all be key challenges throughout RP7.

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## Overview of our approach

Energy Saving Trust would be supportive of the proposed six-year duration price control as striking the correct balance of providing sufficient certainty for NIE Networks with the strong incentive to reduce costs while not exposing the company or consumers to undue risk. During the transition to net zero, we would support reviewing the outputs and need for investment at the mid-point of the RP7 price control to take fuller account of likely material changes in demand.

## Price Control Process

We support the use of the general structure of the RP6 Price control during RP7 including the associated incentive and change mechanisms. We particularly welcome the introduction of Business Plan assessments (including actual data from previous years), that sets out an assessment of the funding necessary to deliver the targeted outcomes during the price control period and look forward to responding to a draft determination consultation in due course.

## Consumer focus

Energy Saving Trust supports the ongoing focus on consumer engagement and stakeholder research and welcomes the ongoing efforts of the Consumer Engagement Advisory Panel (CEAP) throughout (RP6), and in their development of a consumer engagement strategy to inform NIE Networks' RP7 price control.

We welcome the Vulnerable Customer Strategy produced by NIE Networks together with the work being conducted between the regulator and NIE Networks on implementation of "The Best Practice Framework" which will impact NIE Networks' activities in areas like vulnerable consumer identification, assistance, staff training, care register delivery (including volume, reach, awareness, and promotion) and monitoring and reporting.

## Delivering The Energy Strategy

Earlier comments under the price control highlight the need for greater flexibility on the network, and we support the approach whereby forecast scenarios will be utilised to manage investment proposals which are certain and necessary over the cost control

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period. Development of NIE Networks as a Distribution System operator with capability to manage the network actively at a local level, supporting active consumer participation, choice and service will be challenging but vitally important to achieving net zero in the longer term. Proposals under the connection charges policy to engage fully with NIE Networks and DfE in relation to new connections thus facilitating decarbonisation are particularly welcome as this is an area fraught with difficulty.

**Network resilience and Financial Issues**

Proposals within the Draft approach to RP7 fundamentally cover the requirements that an effective company managing a network of this size and complexity should be required to demonstrate and meet. Many of the proposal’s mechanisms carry over from RP6 with clear exceptions for the general measure of inflation and greater levels of scrutiny envisaged, and we would support the approaches proposed.

If you require any further information or would like to discuss the Energy Saving Trust response in further detail, please do not hesitate to contact me on 07715 368290

Meanwhile I trust that you find our response helpful.

Yours sincerely

**Robert McCreery**  
**Policy Officer**  
**Energy Saving Trust**  
**Northern Ireland**

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