



**NIE Networks 'Greater Access to the Distribution Network in
Northern Ireland' Consultation**

May 2019

1. Introduction

- 1.1. The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (NI) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.
- 1.2. The Consumer Council has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.
- 1.3. We welcome the opportunity to respond to this consultation. The Consumer Council recognises the effort and evidence that Northern Ireland Electricity Networks (NIEN) has put together to inform its Greater Access project and we welcome the level of engagement with us and other interested parties.

2. Background

- 2.1. The Consumer Council responded to NIEN's' Call for Evidence on the Greater Access Project in October 2018¹. In our response we acknowledged the importance of starting to consider how Northern Ireland will transition to a new energy model that can deliver a carbon free, lower cost energy sector that meets the needs and demands of consumers. We recognised also the important role that NIEN plays in the transition of the Northern Ireland energy sector and we welcomed the Greater Access Project.
- 2.2. However, the reality is that the vast majority of domestic and small business electricity consumers remain passive with regard to their energy supply.

¹ <http://www.consumercouncil.org.uk/policy-research/publications/submission-nie-networks-greater-access-distribution-network-ni-call>

Furthermore, the higher level of fuel poverty and low income levels in Northern Ireland relative to GB, indicate that there is a vulnerable consumer base that will require protection from any unintended consequences from this energy transition. Those consumers who are unwilling or are unable to be more active with regard to their energy supply should not be penalised for being so.

3. Consultation questions

3.1. We have answered some of the questions in the consultation paper in the areas of greater potential impact to consumers. Our responses should be read in conjunction with our response to the NIE Networks Call for Evidence², where we provided high level commentary on some of the technical elements of NIE Networks' proposals.

Question 1: Do you believe that passive consumers are suitably protected by the DNO to DSO evolution proposed? If not, please provide examples of suitable protections.

3.2. The Consumer Council recognises the need and value of identifying the needs of passive consumers in the energy transition. The reality is that only those who have the means and inclination to become prosumers may benefit fully from the new energy models that are evolving. However, becoming a prosumer presents a number of significant challenges and barriers. These include the investment required to purchase small renewable generation and energy storage that would be required, and the knowledge, time and confidence required to operate in complex markets.

² [ibid.](#)

3.3. The evidence about consumers' engagement in the energy and other markets shows the following:

- Power NI retains 56.8% of the domestic market share despite facing nearly ten years of competition³;
- 40% of Northern Ireland consumers have never switched electricity supplier⁴;
- Phoenix Natural Gas began building the gas network in the Greater Belfast area 23 years ago and yet one in three consumers is yet to connect in areas where gas is available⁵;
- Firmus Energy started the Ten Towns network in 2006 and two thirds of households where gas is available are yet to connect⁶; and
- This lack of engagement is observed also in non-energy markets⁷.

3.4. The evidence shows that a large proportion of consumers in Northern Ireland are likely to be passengers rather than active participants in the new electricity market model. This indicates that the DNO to DSO project and other “energy transition” initiatives will be at the beginning industry rather than consumer led.

3.5. We ask NIEN to consider the following high level measures to help ensure consumers are protected and represented effectively during the DSO and energy transition:

- Cost protection –

³ Source: UR Quarterly Transparency Report Q4 2018.

⁴ Source: UR Northern Ireland Domestic Consumer Insight Tracker 2018/19: Findings.

⁵ Source: PNG presentation to The Consumer Council on 13 May 2019 based on figures at 31 December 2016.

⁶ Ibid.

⁷ Source: UR Northern Ireland Domestic Consumer Insight Tracker 2018/19: Findings.

- “Passive consumers” should not have to pay more for their electricity under the new model than they do now resulting from investment required to facilitate the DSO and energy transition; and
- Domestic consumers and small businesses should not have to carry the bulk of the cost of the DUoS tariff as a result of the DSO or energy transition. A review of the DUoS tariff structure that has the interest of consumers at the centre of any decision is essential.
- Adequate regulatory oversight – it is essential that UR scrutinises proposals such as the DNO to DSO transition. We believe strongly that the consumer interest must be at the heart of any such decisions;
- Adopting a phased approach in the DSO and energy transition that maximises the value of investments and future proofs any technology required.
- Effective consumer representation – The Consumer Council recognises the inclusive nature of NIE Networks’ approach to developing this project and we agree that the Consumer Engagement Advisory Panel (CEAP) is a good vehicle to ensure the engagement continues during any delivery phase. However, we believe that the consumer engagement should not be limited to the CEAP group and that a wider strategy with specific roles for the Department for the Economy (DfE) and the Utility Regulator (UR) should be put in place. This DSO project and the energy transition are complex projects that will have a profound and long lasting impact on consumers and Northern Ireland as a whole. Therefore it is essential that the interest of consumers is at the heart of these projects.

Question 2: Do you agree that there are currently no policy or regulatory inhibitors preventing the commencement of the DNO to DSO evolution? If not, please provide rationale.

AND

Question 3: Do you agree with the identified policy inhibitors that may become prevalent in the medium term? If not, please provide rationale.

3.6. The Consumer Council acknowledges that NIEN proposes a “least regret” option in terms of the DSO models it should adopt. While we acknowledge the merits of NIEN’s proposal, The Consumer Council remains of the opinion that DfE and UR should be responsible for any decision to introduce a DSO in the Northern Ireland electricity market.

3.7. We believe that any such decision must be based on the following:

- Ensuring that any decision is compliant with existing legislation;
- Putting the interests of consumers at the heart of the DSO and energy transition and ensuring they are protected effectively;
- Aligning it with the aims and objectives of DfE energy strategy post 2020;
- Assessing best practice and TSO/DSO models elsewhere; and
- Carrying out a comparative cost benefit analysis of joint and separate TSO and DSO models – would it be more beneficial for Northern Ireland to have a single TSO and DSO or two companies undertaking the duties separately?

3.8. The question about potential policy inhibitors in the medium term highlights in The Consumer Council’s opinion, the importance of getting right from the outset the decision and timing about the DSO model that is best for Northern Ireland. DfE and UR need to consider carefully and adequately the proposals, and the extensive and complex evidence.

3.9. NIEN, DfE and UR must ensure that the consumer voice informs and helps deliver a new electricity distribution system that meets the needs of all consumers, and particularly those who are vulnerable. The Consumer Council believes that the Consumer Principles framework can be an effective tool to

help inform the transition. We also consider that it is important that we use plain language that helps non industry experts understand the choices that they face and the impact of what is being proposed.



Question 9: Do you agree with the proposed approach, outlined in Figure 21, for managing congestion on the electricity network? If not please provide rationale.

3.10. The Consumer Council recognises that it is an important function of the electricity distribution system to accommodate future demand and growth. We agree that it is essential that the safety, security and quality of the supply is not compromised. However, we believe that NIEN should ensure also that passive and vulnerable consumers do not disproportionately bear the cost of the future distribution network. Also, investment decisions should be subject to regulatory scrutiny to so that consumers overall do not pay more for their future electricity needs than they do now in real terms.

Data provision

3.11. From a consumer perspective, at least in the short and medium term, the evidence about lack of engagement in the energy and other markets⁸ suggests that consumers may not make use of an increased access to network data. However, we recognise that the area of data is to become ever more important as we embark on the energy transition, and therefore it merits further discussion and consultation at a future date.

3.12. We agree with the point made in page 62 of the consultation document that “it is necessary to understand what data and where data is required”. It is also important to understand who requires the data as the needs of domestic consumers and small businesses could be radically different to those of large users or generators. A concern is that making more data available will require investment - for consumers it could be smart meters – and those investment decisions may result in higher costs for consumers. Therefore any future additional data requirement ought to be considered carefully to ensure they deliver quantifiable benefits for consumers and meet their needs.

Charging

3.13. The Consumer Council shares NIEN’s concern that under a volume based DUoS tariff, passive consumers may bear a higher proportion of the distribution network costs.

3.14. We welcome NIEN’s proposal to undertake a review of the DUoS charging methodology. This is an issue of critical importance for consumers, therefore

⁸ This is outlined in points 3.3.1 to 3.3.5 of this document.

we ask to engage with NIEN and UR at the earliest possible opportunity to help inform the proposals.

Question 12: Please indicate if you would like to be included on a circulation list for this subsequent consultation and provide relevant contact names and email addresses.

Paulino García – Paulino.García@consumercouncil.org.uk

Maeve Holly – Maeve.Holly@consumercouncil.org.uk

4. Conclusion

4.1. The Consumer Council welcomes NIE Networks' Greater Access project in the context of a much needed debate, and progress in defining an energy transition in Northern Ireland that delivers for present and future consumers. We look forward to continuing our engagement with NIE Networks, UR, DfE and other parties as part of this and other projects.



Floor 3

Seatem House

28-32 Alfred Street

Belfast

BT2 8EN

