

28 September 2011

Irene McAllister
Energy Markets
DETI
Room 44
Netherleigh House
Massey Avenue
Belfast
BT4 2JP

Dear Irene,

Consultation on the potential for extending the natural gas network in Northern Ireland.

The Ulster Farmers' Union (UFU) welcomes the opportunity to respond to this consultation on the extension of the gas network in Northern Ireland. The UFU is the largest democratic voluntary organisation representing farmers and growers in Northern Ireland with a base of 12,000 members.

The UFU acknowledges that there are some advantages to the Northern Ireland economy for widening access to the natural gas network. However, it is clear that the main beneficiaries will be domestic and commercial properties in urban areas. There are parts of NI which will never be able to benefit from access to the natural gas network.

Question 1 – Do respondents agree that the areas outlined i.e towns to the West and North West of Northern Ireland and in East Down represent the key remaining areas in which the natural gas network in Northern Ireland might feasibly be developed?

The UFU is the principle representative of members based in rural locations. In an ideal world we would wish to see the gas network being extended to these outlying areas. But this will not happen. We accept the limited financial scope for extending the gas network to rural areas, and furthermore to single dwellings in the countryside (farmhouses) but this emphasises the need for a renewable alternative.

Question 3 – How might other energy technologies, such as renewable heat, impact upon the potential extension of the natural gas network.

It has been accepted that many outlying rural areas, such is their remoteness, will never be able to avail of the natural gas network. Such areas contribute to the escalating levels of fuel poverty here in Northern Ireland. Alternative energy technologies, such as renewable heat would be a viable alternative to such remote rural areas, with benefits to either individual locations or via district heating arrangements. As far rural industrial users are concerned, the UFU have been informed that those representing food processing companies are hoping to invest in Renewable solutions such as Anaerobic Digestion, which is an example of what is seen as a viable alternative to natural gas.

Question 5 – Do respondents consider that it would be appropriate and viable to use cross subsidies to finance network development?

Clarity is needed on what form the cross subsidy will take, namely how much will be provided by the Northern Ireland Executive in the extension of the gas network. The UFU would be concerned if this was to exceed what is being offered from the NI RHI, which is co-incidentally funded from London.

The UFU would be unsure as to whether gas customers in NI would be able to afford, let alone accept a significant increase in the gas transmission tariff. Especially in light of current price increases being implemented by gas providers. The anticipated increase in retail bills is expected to be 1-5% by DETI calculations which is a large difference, with overall charges expected to be 14.7%, does this mean that a gap of 9.3%-13.7% will need to be found.

In addition, the consultation does state that there will be implications for electricity bills further adding to the burden borne by already under pressure domestic customers.

Question 6 – How do respondents consider that an increase in the postalised transmission charge for all gas customers in Northern Ireland might impact on the gas industry; on existing and potential gas customers; on electricity generation costs; or on Northern Ireland’s overall economic competitiveness?

Postalisation means that charges for conveying a therm of gas through designated pipelines will be the same regardless of the distance that it is conveyed or the number of pipelines, through which it is conveyed. In other words it is a flat rate. The UFU would wish to ask the question as to what has happened to the implementation of an Entry Exit Regime, which was seen in some quarters as being more advantageous to consumers.

There would be a fear that electricity costs could rise and in which case, those who have no choice but to use electricity will be at a cost disadvantage.

Question 7 – Do respondents consider the benefits of extending the gas network outweigh the costs?

The UFU are concerned about the continued policy and focus on natural gas at the behest of the Renewables sector. Whilst alternative technologies are acknowledged, the UFU believes that by favouring gas, parts of Northern Ireland continue to rely upon an imported fossil fuel (and will continue to do so), whilst there are indigenous biomass which could provide renewable heat to those rural areas where the gas network will never reach.

Question 8 – What are the views of respondents on the potential for CHP projects to help build the necessary gas loads which would make an extension of the natural gas network economically viable?

The UFU would be in favour of any moves to encourage or incentivise on-farm CHP projects which would utilise the innovative uses of natural gas. The UFU feels that this level of interest could be extended to the proposed NI Renewable Heat Incentive.

Northern Ireland has the highest level of fuel poverty in the UK, further exasperated by the rural dominance of our region. Some of the highest levels of fuel poverty is in rural areas as a result of their location. Local heating costs are already more expensive than in GB. There are rural areas of Northern Ireland which will never have access to natural gas network.

	% of households in fuel poverty
Northern Ireland	34
Scotland	22.5
Wales	21
England	12

These figures are from 2006, and a lot has changed since then; rapidly rising fuel prices and global recession which means that this figure will be higher still. Cookstown, Larne and Strabane having >40% of their population in fuel poverty. It should be noted that Larne was one of the first areas in NI to have access to natural gas so this contradicts the belief that natural gas may be a step to relieving fuel poverty.

Northern Ireland has a reliance upon kerosene and LPG, further exasperating the reliance upon more expensive fuels. Even before this is taken into consideration, our fuel costs are more expensive than in GB. Despite rolling out of the natural gas network, these more expensive fuels will still be demanded in rural areas with no access to natural gas. Those who advocate a switching to natural gas say that this will go way to addressing local fuel poverty and making energy prices more affordable. However, the consultation states that extra costs may be incurred in developing the gas network, both by gas and electricity customers. In addition, the very fuels which are relied upon in rural areas such as kerosene will not be cheaper. This adds to the urgency for renewable alternatives to be available in these areas who have no access to the gas network.

The rural nature of Northern Ireland will have a bearing on our response to this consultation. In 2001, the Local Government District (LGD) definition showed that the rural population in Northern Ireland is 62 percent of the total. Of this percentage, 30% are deemed "accessible rural" and 32 per cent are "less accessible rural".

The UFU believes that the gas network is being extended at the detriment of the development of the renewable energy sector in Northern Ireland. This will be set out in our response to the Renewable Heat Incentive consultation which will be submitted on 3 October 2011 as well, but the two consultations are intertwined. North Sea gas was first brought onshore into GB in 1967 and a distribution network was brought in thereafter. This was 44 years ago and yet Northern Ireland is still pressing ahead with rolling this out despite being a fossil fuel, which we are meant to be moving away from. So, to re-cap, we are moving towards a fossil fuel which GB are moving away from.

In 2010, Action Renewables and Element Energy, conducted a study on behalf of EST. The study concluded that the carbon savings associated with extending the gas network to the west are not justified. The report compared the extension costs against the costs of other carbon saving projects. The report indicated that extending the gas network would be an inefficient and expensive project. Again, we will repeat our view that a proportion of this money could be directed towards renewable heat.

The UFU does recognise that the extension of the gas network could possibly facilitate biogas generated from renewable sources. However, they are significant barriers which would need to be overcome for this to be viable.

In its current form, the rolling out of the gas network is being extended at the detriment of the Renewable Heat sector. The gas network is being rolled out and there is no indication as to the actual cost and who is going to pay for it. Whilst Renewable Heat is a viable alternative for those who cannot avail of natural gas and there is being no viable support made available by the NI Executive.

If you have any queries about our response to the consultation, please do not hesitate to get in touch.

Yours sincerely,

Chris Osborne
UFU Policy Officer