

31 May 2013

Paul Jackson  
Inquiry Manager  
NIE Price Determination  
Competition Commission  
Victoria House  
Southampton Row  
London  
WC1B 4AD

Dear Paul,

### **ULSTER FARMERS UNION SUBMISSION ON NIE PRICE DETERMINATION**

The Ulster Farmers' Union (UFU) is the largest farming organisation in Northern Ireland representing over 12,500 farming families and we welcome the opportunity to make a submission to the Competition Commission on the disputed price determination RP5.

Being the largest representative of the rural economy in Northern Ireland, we have many members who will be directly affected by any decisions arising from this price determination.

#### **UFU Position**

The UFU position is that NIE T&D should be granted the level of investment they have submitted. This will enable NIE to strengthen and rebuild the grid and thereby enable our members (as well as the wider rural community) to avail of the services they so heavily rely on.

#### **Dependence upon the 11kV Network**

With c.40,000 farms throughout Northern Ireland, our members are solely dependent upon the 11kV network and lines. If you consider the fact that in Northern Ireland there is approximately 3.5 times more overhead line per customer than the average Distribution Network Operator on the UK mainland, which illustrates the importance of a resilient and reliable electricity network being available.

Failure to allow adequate investment in the 11kV network will impact upon Northern Ireland farmers and landowners on three counts;

1. Farm businesses are direct customers of NIE T&D as their businesses consume large and significant volumes of electricity every second of a working day.
2. NI farm land incorporate and facilitate much of NIE T&D's infrastructure and capital equipment (lines, poles, substations etc) and our members receive a wayleave payment in many instances.
3. Farmers and land owners are the main generators of small scale renewable electricity (<250kW) in Northern Ireland, mainly through wind turbines.

#### **Background to UFU Submission to Competition Commission**

On 18 July 2012, the UFU wrote to the Utility Regulator in reply to their Draft Determination. In this document we set out our concerns about the reduced level of investment for NIE T&D in RP5. In their reply to our concerns, the Utility Regulator replied on 23 October 2012. They clarified several points yet the key UFU concerns remained unanswered, namely NIE being permitted adequate Capital Expenditure within RP5 to re-build and re-furbish the 11kV network

However, we still have concerns on the following areas;

- **Incentives**
  - **Customer Services Initiative** - UFU are disappointed that a customer services incentive is not to be introduced under RP5.
- **Capital Expenditure**
  - . We will address this in two parts;
    - Day-to-day on-farm electricity use
    - Connecting small scale renewables to the grid
  - **Day-to-day on-farm electricity use**

Farmers and landowners rely upon these lines as they criss-cross their land and their businesses are connected to this network and therefore reliant upon the electricity transmitted and distributed to run their farms. The nature of a perpetual asset such as the 11kV lines is that re-investment and regular upgrades are needed to ensure that the system does not degenerate into a state of decay. It would only take another event such as the April 2010 Ice Storm to create major problems. There are c. 15,200kms (73%) of the 11kV overhead line network is built with small cross sectional area conductors - 25mm<sup>2</sup> Aluminium Conductor Steel Reinforced (ACSR) and these lines are susceptible to ice accretion. The next time this occurs thousands of rural homes and businesses could be without electricity for extended periods meaning the possible of loss of livestock or even human life.

Approximately 11,000km (50%) of the overall 11kV overhead line network and 72% of the 25mm<sup>2</sup> 11kV overhead line network is also single phase - there is now a greater requirement for three phase supplies in rural areas for renewable connections etc.

Protecting the interests of the consumer is a key remit of NIAUR, and the UFU accepts the reasoning behind flagging up possible additional costs to the consumer from NIE proposals. However, it is the UFU view that costs to the end user/consumer extend beyond those seen in their electricity bills. Namely, failure to invest in the 11kV network could see more significant costs in terms of damaged lines, failing equipment, health and safety implications and the wider economic effect on the agri-food sector should produce be stalled leaving the farmgate.

- **Connecting small scale renewables to the grid**

The last 12 months have seen major problems on the ground when small scale renewable generators, in particular wind turbines 75-250kW, have attempted to connect to the 11kV network. There is a diminishing amount of spare capacity on the 11kV network, with certain lines in the country "full" and unable to accept further generation. The problem is exasperated due to the fact that applicants will

sometimes not know until they submit a grid connection application whether or not there is available capacity.

Due to these capacity issues, applicants have either faced large quotes to connect the grid or in the form of “conditional offers” an uncertain situation where they will not know whether or not they will be able to successfully connect to the grid, depending upon a ruling from NIAUR.

Since our submission to the final Price Determination, NIE have opted to take a revised approach in their Statement of Case. They are now seeking £35m for a substantial pilot to be carried out in what remains of the RP5 period, with the main issues then being addressed in RP6 and beyond. Whilst the details of the pilot are unclear at this stage, the UFU would be supportive of such work if it was to go some way to addressing all the concerns about the existing 11kV network detailed above, including looking at ways to increase capacity, with a pilot looking at this with a view to further work in RP6.