

30 September 2009

Mary Lavery
Energy Division
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
Belfast
BT4 2JP

Dear Mary,

UFU Response to the Strategic Energy Framework Directive Consultation

The Ulster Farmers' Union (UFU) welcomes the opportunity to respond to the Draft Strategic Energy Framework Directive 2009. The farming industry has a significant role to play, both as a producer and as a consumer of energy.

The draft Strategic Energy Framework 2009 sets out the proposed priorities for Northern Ireland's energy future over the next ten years and outlines the key energy goals in terms of competitiveness, security of supply, sustainability and infrastructure.

Introductory Remarks

The UFU does not believe that this draft document is far-reaching enough and despite our best efforts to alert you to the subject area of a Distributed Grid, there is scant reference to it in the document. The draft is long on rhetoric but short on specific actions which would be used to achieve the vision of a sustainable energy system in Northern Ireland which is using energy as efficiently as possible and obtains more from renewable sources, thereby lessening our reliance upon fossil fuels.

The draft report covers the period up until 2020 but the UFU takes the view that this is not ambitious enough, namely it should look beyond this, to 2050 for example. The time frame stipulated is too short-term. DETI must take a broader vision for this framework.

The UFU's main reservation from the outset has been specifically on reviewing the current grid infrastructure. The inefficiency of the current grid means that any move towards replacing fossil fuels with renewable resources could be a pointless exercise. The UFU also believes that the DETI statement that "80% of the energy consumed in NI (excluding transport) is in the form of heat and is mostly supplied from fossil fuels" is misleading.

If you refer to the 2002 Carbon Trust data (despite being published 7 years ago is still accurate today).

- **33% of energy consumed in NI is used domestically**

- **47% of all energy consumed in NI is lost by an inefficient electrical generation grid/system**

(source – Carbon Trust 2002)

We will address each of the seven specific sections;

- **Competiveness**
- **Security of Supply**
- **Sustainability**
- **Infrastructure**
- **Cross-Cutting Themes and Engagement**
- **Cost Implications**
- **Wealth Creation**

It should be noted that there is an inevitable overlap in some of our response and this cannot be helped due to the structure of the draft report.

- **Competiveness**
 - **Smart-metering** – Whilst the UFU acknowledges the inclusion of smart-metering in the consultation, we believe that a more urgent and ambitious strategy is needed. Demand management is required as this would have implications for the strengthening of the grid. This is discussed further in our response.
 - **Rating Discount** – this should be applied to companies/organizations who achieve Carbon Trust Status (CTS). Currently Northern Ireland is lagging behind GB and an initiative such as this would be a much needed drive towards driving on the renewable sector in NI.
 - **Electricity Grid Review** – we believe that the draft paper does not go far enough in terms of funding a review of the grid. We would however go further and propose that the draft paper should address the issue of distributed grid generation. This is developed further throughout this response.
 - **Review of Financial Incentives** – The UFU believe that DETI have missed an opportunity to address this within the context of the SEF. It is noted that the UFU have been invited to reply to the Consultation on Renewable Electricity Financial Incentives by the Department of Energy and Climate Change (DECC), and as a consequence we have noticed several notable omissions;
 - a. **Feed-In Tariffs** – these are available in GB but not in Northern Ireland. It is the UFU's belief that the absence of these leaves local operations at a competitive disadvantage to those across the water.

- b. **ROC's** – there was an opportunity for these to be extended within the context of this consultation.
 - c. **% of Retail Value** – this concept has been omitted from the draft report. Consideration should have been given to this financial incentive..
- **Security of supply**
 - **Smart Metering** – this should be rolled out as a matter of priority. The urgency to do so is lacking in the draft paper.
 - **Energy Efficiency** – the draft lacks specific reference to innovative financial mechanisms which could be used to achieve carbon savings and energy efficiency.
 - **Interconnection** - further interconnection would assist with Security of Supply. The Northern Ireland-Republic of Ireland Interconnector helps address this, but the need for a second should be considered within the context of this consultation. Any future interconnection with GB should be also considered.
 - **Grid Review** – whilst security of supply is a significant driver of the draft Framework, consideration should be given to how wind installations are to be connected to the existing infrastructure. Wind is an unreliable energy source in that the power produced is not constant. This inconsistency of wind production means that all the existing fossil fuel electrical generation capacity must remain intact in case the wind does not generate enough power, in other words to act as “a back up”.

Furthermore the large quantity of wind power already pipelined or proposed for the NI grid has the effect of pushing other renewable capacity off the grid, much of which is more secure and predictable supplies of renewable sources. Almost all the existing and short term renewable production capacity is dominated by wind energy as a consequence of the existing grid structure.

In view of this, it is difficult to see how SEF actually benefits NI. Namely, connecting wind farms in this manner does not reduce the country's dependence upon NI fossil fuel power stations. It will be “business as usual”.

Both the existing grid and that proposed within the SEF cannot efficiently use renewable energy, and as a consequence, we will have to export it.

Any financial commitment within the SEF will effectively prohibit expenditure on any other schemes including distributed grid or substantial intelligent grid implementation. Expenditure on an alternative grid would transform our grid network to one of the most modern, efficient, cost effective green and open networks in the world. The UFU are urging that the Government investigates intelligent grid alternatives and make this a major theme within the SEF. The SEF should be used a platform to debate whether or not this is a good idea and identify any options.

- **Sustainability**

- **Renewable Electricity Target** – the target has been set at 40%. Whilst this will be a challenging target to meet, it is achievable as long as we are assured that government will act in a joined-up manner (especially in relation to favorable planning policy and consideration of the development of the electricity grid, for example Distributed Generation). Consideration should also be given as to whether or not this target is actually affordable? If the target is pursued without any consideration is given to the grid infrastructure/review, then this could be a costly pursuit.
- **Renewable Heat Target** - Whilst we are pleased that a target has been set, for heat from renewable sources, we are concerned about meeting this target when so many variables and uncertainties remain at a policy level at the time of publication of the draft SEF.

- **Infrastructure**

As outlined above, major investment in grid infrastructure is clearly required over the next decade and beyond. Greater policy certainty is needed, yet the outlook for electricity and heat markets is becoming increasingly complex driven by more distributive and smaller scale systems. It is essential that we invest in the right infrastructure and to achieve this we need to have an excellent understanding of how demand is likely to change and how demand can be managed more effectively through smart metering and the development of ‘smart grid’ technology.

In terms of the priorities, the UFU wish to make the following comments;

- **Grid investment/Alternatives** - the most important issue is to stress that any SEF needs to consider grid investment/alternatives in a fuller context, in contrast to the one line briefly mentioned in the consultation. Aside from Distributive Generation, the UFU believes that this is the major driver for making this new wider policy work.

Investment in the grid will clearly be necessary even after demand management measures have been fully implemented. The future grid must be able to link with ALL future renewable generation capacity but decisions will also need to be taken regarding whether the grid is being designed for an all-island market and demand or to enable significant export capacity.

Specific targets need to be set for grid strengthening. Where appropriate, the Regional Development Strategy should identify ‘infrastructure corridors’ to assist in overcoming the risk of planning delays and to minimise the costs of the development of the grid.

A strategic approach to the development of the necessary grid upgrading/extension is required to minimise the number of transmission lines necessary (both onshore and

offshore). Grid investment should be progressed as part of a 'smart grid' development which must encompass energy storage as well as transmission and distribution. This should be considered in the draft.

- **Demand Management** - there is a need to understand demand and to manage demand more effectively. In other words, smart metering should be a key priority. Successful demand management, particularly at peak periods, is likely to reduce investment requirements in the grid.
- **Interconnection** - the completion of the second NI-ROI interconnector is essential as this will strengthen the all-island grid and reduce certain inefficiencies. With regards to further interconnection with GB we have already commented on this in this response.

- **Cross Cutting Themes and Engagement**

The UFU welcomes the recognition within the draft SEF of the strong inter-relationships with other Departments . In particular the work the Agricultural Stakeholder Forum on Renewable Energy (ASFRE) which was set up by the Agriculture Minister in 2008 and is currently completing its findings, to which the UFU has played a central role. We also accept that the development of a joined-up communications strategy involving key stakeholders has merit.

- **Cost Implications**

Priority needs to be given to the necessary grid development, which will underpin the development of renewables. The UFU would be concerned that any monies which have been earmarked within this SEF will mean that no money will be available in the future for redevelopment of the Grid.

- **Wealth Creation**

The consultation does not go far enough to emphasize the possibilities for job creation here in Northern Ireland. The UFU would have liked to see targets set for job creation, in particular for the rural economy.

- **Conclusion**

As we stated at the beginning of our response to this consultation, the UFU believes that this draft falls short of what is required for a Strategic Energy Framework. The current grid needs to be addressed, in terms of how it is currently working, how it can be improved and what viable alternatives are available in the future? Without these being addressed, a Strategic Energy Framework is missing a real opportunity for the economy and people of Northern Ireland. This must be rectified.

Yours sincerely,
Chris Osborne
Policy Officer