



ELECTRICITY
ASSOCIATION
OF IRELAND



127 Baggot Street Lwr.

Dublin, D02 F634

Date: 27th of August 2021

By email to: alan.craig@uregni.gov.uk

cc: Electricity_Networks_Responses@uregni.gov.uk

RE: Electricity Distribution Tariff Reform Call for Evidence

Dear Mr Craig,

EAI is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the island of Ireland. Our ambition is to contribute to realisation of the target of a net zero CO₂ economy in Northern Ireland by 2050, consistent with the advice from the Climate Change Committee¹. Electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. Electricity offers opportunities to decarbonise Northern Ireland's economy by 2050, or sooner, in a cost-effective manner. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

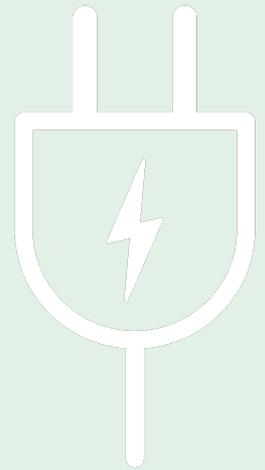
EAI welcomes the opportunity to respond to the Utility Regulator's Call for Evidence on Electricity Distribution Tariff Reform. Electricity grids are key assets to enable a cost-effective decarbonisation with electrification at its core. Their modernisation and digitisation are critical to facilitate the connection and transport of distributed, variable renewable energy and the use of technologies such as electric vehicles. Pricing grid services in the right way for generators, energy consumers and all new players will be critical to optimize the value of the grid for the benefit of network customers and

¹ <https://www.theccc.org.uk/wp-content/uploads/2020/12/Lord-Deben-CCC-Letter-to-DAERA-Minister.pdf>

A decarbonised future powered by electricity

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society at large, while ensuring sufficient revenues and the right incentives for grid owners.

In our response to the consultation on Northern Ireland's new Energy Strategy, EAI advocated for the review and consultation of the connection policy and charging regulations in Northern Ireland to ensure they are compatible with facilitating electrification and decarbonisation². We welcome this review of distribution charging structures and would welcome further consideration of connection charging policy. In Northern Ireland the connecting customer pays for the full cost of the connection works up to and including the next voltage level. In GB and ROI a portion of the total cost is socialised. The current charging mechanism may deter inward investment and could deter customers from adopting low carbon technologies.

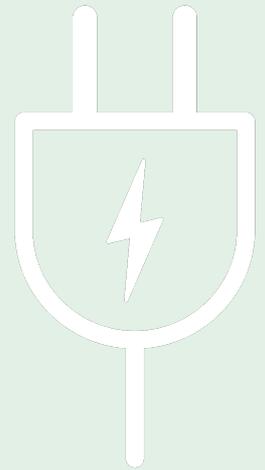
It is important that charging structures encourage efficient consumption decisions when renewables are plentiful and wholesale prices are low. This can more efficiently utilise the available renewables while also decarbonising the demand side. A dynamic view to tariff design principles is required to not only focus on cost recovery, but also with a long-term view of the evolution of the energy system and the impact that tariff design could have on electrification and evolution of demand.

Current and future developments that should be taken into account are:

- Changes in the structure and volumes of electricity generated and transported through the grid with increasing shares of decentralized and variable production,
- Growth in electricity consumption with new and less predictable consumption patterns,
- Significant amounts of storage assets including batteries, EVs that may challenge as well as interact positively with grid capacity,
- The increase of demand side flexibility and the ability of all players to react to tariffs,
- Digitalisation, smart meters and availability of much more detailed data increasing flexibility and interactive relationship between network and network customers.

² <https://www.eaireland.com/submissions/eai-response-to-ni-energy-strategy/>





There is a need to ensure those costs are recovered not only today, but also in the future. Network tariffs can contribute to the electrification and the operation of a system dominated by RES and carbon neutral technologies by providing:

- Long-term signals to facilitate electrification decisions and investments by individual consumers, small and large as competition among energy vectors is much more relevant than in the past.
- Put transparent and accessible data at the centre of demand response and efficient infrastructure performance.

Eurelectric, the European electricity representative body of which EAI is a member of, will launch a new report on efficient network tariffs in October. This report will examine:

- How network tariffs can complement energy prices and incentivise efficient grid use
- The potential for time-of-use tariffs to improve price signals
- The role of flexibility markets in network optimisation
- Where public policy complements or contradicts innovation and electrification
- The changes introduced by the new use, generation, and storage of electricity

EAI would be happy to meet with yourself and your colleagues at the Utility Regulator to discuss this report when it is published and we look forward to future engagement on these issues.

Yours Sincerely,

Gemma Bewley

Policy Advisor

Electricity Association of Ireland, August 2021

