

# CBI Northern Ireland Response to Generator Transmission Use of System Charging-2011/2012

NI 25 11

Kirsty McManus | Programme Manager | CBI Northern Ireland  
Email: [kirsty.mcmanus@cbi.org.uk](mailto:kirsty.mcmanus@cbi.org.uk)

## Introduction

CBI Northern Ireland is an independent, non-party political organisation funded entirely by its members in industry and commerce. Across the UK, the CBI speaks for some 240,000 businesses which together employ around a third of the UK private sector workforce. Our membership stretches across the UK, including businesses from all sectors and of all sizes. It includes the majority of the FTSE 100 companies, some 200,000 small and medium-sized enterprises (SMEs), more than 20,000 manufacturers and over 150 sectoral associations. CBI Northern Ireland welcomes the opportunity to respond to the aforementioned consultation.

## Summary

Currently 25% of allowed Northern Ireland (NI) transmission revenue is recovered from generators and all NI generators pay the same tariff. From 2011/12 the Single Electricity Market (SEM) Committee plans to pool the allowed transmission revenue for both NI and ROI and recover 25% of this from generators throughout the island using a combination of “locational” and “postalised charges”. CBI NI has a number of concerns about the transition from a “postage stamp” to a “locational signal/postalised model” of tariffing for generators based on the methodology outlined in this consultation.

## Key concerns

- The proposals will mean that Generator Transmission Use of System (GTUoS) charges nearly double for NI generators (traditional and renewable) and will be, on average, 24% higher for NI generators than for Republic of Ireland (ROI) generators. Effectively these charges represent a €7m cross-subsidy from NI generators to ROI generators. Further explanation of the modelling used to establish these charges along with a detailed breakdown of the individual generator charges should be provided so that generators can clearly see how their tariff has been calculated and ensure accuracy.
- Changes made to the TUoS based on the proposed tariff methodology will encourage new generation to be located in Republic of Ireland versus Northern Ireland. In the long-term this could result in greater security of supply issues and deter energy investment away from Northern Ireland.
- The imposition of higher charges to NI generators will directly impact the bottom line of those generators, reducing their profitability. Further analysis on how this will impact on energy costs for both consumers and businesses is imperative for the protection of our industrial base.

- Northern Ireland has the biggest proportion of fuel poor households – 43.7% in 2008 – of all the UK regions<sup>1</sup>. Northern Ireland companies are particularly exposed with prices of electricity remaining higher than in the rest of the UK. Protecting the competitiveness of Northern Ireland's industrial base is vital.
- NI generators contracted to Power Procurement Business (PPB), the increase in GTUoS costs will directly impact on NI customers through PSO charges as these will now be higher than previously envisaged. Given that PSO charges are determined on a flat p/kWh basis; high load factor customers will bear a greater proportion of the costs.
- Given the high levels of renewable infrastructure investment required over the coming years it is likely that this cross subsidy will further increase for NI generators. CBI is concerned that this will have an impact on energy costs and long-term security of supply.

## Recommendations

While CBI NI supports the harmonisation of GTUoS charging methodology on an all-island basis, it does not seem rational that one jurisdiction should make a significant and potentially ongoing contribution to the infrastructure costs in another jurisdiction and subject itself to the impact of policy decisions over which the jurisdiction has no control. The CBI would therefore recommend that the methodology that has been used to determine the indicative tariffs be reviewed through a consultation process to ensure that it is both sound and cost reflective.

The CBI would also recommend that the cost of the Best New Entrant Peaking Plant (SEM-11-025) be recalculated using the indicative 2011/12 tariffs and that there is further consultation between Northern Ireland based generators and the SEM Committee on the impact of GTUoS on NI generators and consumers.

---

<sup>1</sup> DECC, Annual Report on Fuel Poverty

For further information or a copy  
in large text format, contact:

Kirsty McManus  
Programme Manager  
CBI Northern Ireland  
T: +44 (0)2890 101106  
E: [kirsty.mcmanus@cbi.org.uk](mailto:kirsty.mcmanus@cbi.org.uk)



**INVESTOR IN PEOPLE**

**CBI**

The CBI helps create and sustain the conditions in  
which businesses in the United Kingdom can compete  
and prosper for the benefit of all.

We are the premier lobbying organisation for UK business  
on national and international issues. We work with the UK  
government, international legislators and policymakers to  
help UK businesses compete effectively.

Our members benefit from our influence, a wealth  
of expertise, business services and events.

July 2011

© Copyright CBI 2011

The content may not be copied, distributed,  
reported or dealt with in whole or in part  
without prior consent of the CBI.

[www.cbi.org.uk/ni](http://www.cbi.org.uk/ni)