

Written Evidence submitted by Mid & East Antrim Borough Council (EEE0021)

Supplementary evidence: Northern Ireland Affairs Committee

Electricity Sector in Northern Ireland: follow-up

1. Following the oral evidence presented by Mid and East Antrim Borough Council on 14 March 2018, a number of further points of clarification are set out below for the Committee's consideration.

Impact on Mid and East Antrim and Northern Ireland economy

2. The oral evidence highlighted the significant impact of the anticipated closure of part of AES sites at Kilroot and Ballylumford within Mid and East Antrim. Following the initial written evidence, we have conducted further modelling and the following additional points further illustrate the impact:
 - Potential loss of 270-300 high value jobs in this important sector of the local economy are even more significant given the high levels of productivity in the utilities sector;
 - The average Gross Value Added (GVA) in this sector is £177k per employee which equates to potentially £48m loss to the local Mid and East Antrim economy;
 - This would represent a 1.6% loss in GVA in the borough (GVA in the borough is £3billion);
 - This equates to a 0.2% loss in GVA for Northern Ireland as a whole.
3. To put this in context, the Chancellor announced in the Spring Statement on 13 March 2018 that UK growth was forecast to be 1.5% in 2018, with the forecast for 2019 and 2020 at 1.3%. The impact of this closure and a 0.2% blow to the Northern Ireland economy cannot be overstated.

Concerns about the Short-term nature of the one year auction cycle

4. The oral evidence highlighted Council's concerns regarding the short-term nature of the one year SEM auction cycle.
5. T-1 Capacity Auctions create challenges - in particular concerning expenses such as maintenance cycles, which can't be spread over a number of years, as would be the case for multi-year contracts. Kilroot, for example, were obliged to include planned maintenance work in this T-1 auction price, which created a problem. This work is only needed because Kilroot has been running so significantly over the past few years.

6. Council advocate a more controlled, managed glide-path towards closure of Kilroot, whilst maintaining the security and stability of supply. A contractual solution should be explored to enable Kilroot to avoid the 'cliff edge' closure and plan a more managed wind-down.

Moyle Interconnector

7. In response to Q42 from Mr Jim Shannon MP, Council wish to clarify our concerns regarding the Moyle Interconnector.
8. We have concern around the reliance on the Moyle Interconnector. The facility has been plagued with problems since construction.
9. The interconnector has only operated effectively since September 2017, following extensive engineering work. It has experienced considerable problems, faults and capacity issues over its lifetime.
10. The Regulator, through the all-island I-SEM, assumes Northern Ireland can rely on 216 MW of capacity in peak demand through the Moyle Interconnector as adding to the security of supply. We are concerned at this reliance, for two reasons:
 - a. If or when a demand pressure occurs in GB, the Moyle Interconnector may not provide reliable supply
 - b. Historically the Moyle Interconnector has not been a reliable, consistent or reliable resource.

North South Interconnector

11. We are concerned that the North South Interconnector is 3-5 years from being fully operational
12. Interconnector only received Planning Permission. Construction is likely to be contested both in Northern Ireland and the Republic of Ireland. The build could be a protracted process, resulting in a delay in operationalisation. This is a concern to us if we consider the reliance as part of I-SEM. How will I-SEM operate with no North-South Interconnector operational?
13. It is imperative that the North-South Interconnector be operational before the generating capacity of Kilroot and Ballylumford be taken off-line.
14. We remain concerned - no evidence has been provided by SONI or the Utility Regulator to identify how the capacity lost by the closure of Kilroot and Ballylumford generator units can be covered until the N/S interconnector goes online. We could see problems keeping the lights on in Northern Ireland.

Impact on consumers

15. Council, following meetings with the Utility Regulator, fail to be convinced that the results of the I-SEM auction process will mean longer-term savings for consumers.
16. The full impact of the proposed closures on the energy market is not clear. A full economic analysis is needed to understand the total cost to consumers.

Conclusion

17. Mid and East Antrim Borough Council would like to thank the Chairman Dr Murrison MP, the Committee and the Clerk for the opportunity to present evidence on this important matter.
18. Council would also reiterate the invitation to visit Mid and East Antrim in the future, we would be delighted to welcome the Committee to the Borough in the near future.

26 March 2018