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Dr Andrew Murrison MP
Chair
Northern Ireland Affairs Committee
House of Commons
London
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6 June 2018

Electricity in Northern Ireland: Follow-Up

Thank you for your letter of 16 May and for the time the Committee has given to this issue of fundamental importance to Northern Ireland.

On your broad point as to the absence of an Executive, please be reassured that my focus remains on redoubling efforts to restore a locally elected, democratically accountable devolved government in Northern Ireland.

As to your specific questions, I address each below in turn. Many of the issues concerned relate to devolved matters. Where appropriate my officials have discussed those issues with counterparts in the Northern Ireland Civil Service in order to provide as much information for the Committee's benefit as possible.

1. What steps can be taken to respond to the challenges faced by Northern Ireland's electricity sector in the interim period before the Executive is re-established?

Having a restored Executive in place to set out a long-term strategy for energy that meets the needs of the NI economy, and of local communities, is clearly in the best interests of Northern Ireland. It is precisely in order to enable those strategic issues to be addressed that makes restoring devolution my utmost priority. In the meantime, I am assured that officials in the Northern Ireland Civil Service (NICS) will continue to work closely with the Regulator, electricity System Operator and gas network operator to ensure that a secure, reliable and resilient energy supply continues to be provided, and that reform of the Single Electricity market is completed by 1 October. Officials in the NICS and Whitehall also work closely together to ensure that Northern Ireland's energy needs, including the maintenance of a Single Electricity Market (SEM), are reflected in the negotiations for EU exit.

You will be aware of the judgement in the recent *Buick* case (Arc 21). This case is the subject of an appeal from the NICS and it is right to await the outcome of those proceedings before reflecting upon any possible implications.

2. What role, if any, does the UK Government expect to play – given the ongoing absence of a Northern Ireland Executive – with regards to Northern Ireland's electricity sector in relation to: security of supply, attractiveness to investment and cost to consumers?

Energy policy is largely a devolved matter. The UK Government is working to ensure the resumption of stable devolved government in Northern Ireland. In the meantime, it is the role of the System Operator and independent Regulator, working closely with the NICS, to continue to ensure that security of supply is maintained through established mechanisms, including the operation of the capacity market, to deliver energy investment incentives for industry at the best possible value for the consumer.

3. If generating units at Kilroot and Ballylumford are closed this year:

a. Will you, in the absence of an electricity policymaker for Northern Ireland, be content that Northern Ireland's security of supply is assured?

As above, this is a devolved matter; and as also set out there, it is for officials in the NICS to work closely with their counterparts in the Northern Ireland Utility Regulator and System Operator to ensure security of supply in all eventualities. I understand that the Utility Regulator is engaging with AES regarding their future plans in Northern Ireland, and will continue to take appropriate steps to maintain sufficient capacity margins.

b. What concerns will you have about the increase in electricity prices in Northern Ireland, particularly given the already high rates that electricity customers in Northern Ireland already pay?

Electricity pricing is a devolved matter. I would note, though, as is the case across the whole of the United Kingdom, that the predominant issue for prices remains the wholesale cost of fuel.

4. What would your view be of the sale of Kilroot and/or Ballylumford power stations to a new operator?

I would note the need for caution in discussing – even hypothetically – matters that are of such sensitivity commercially and for those who work at both stations. Any such questions would be for the incumbent, and ultimately for the independent Regulator, to consider.

5. What is the Government's position on the continued operation of the I-SEM and other all-island energy integration arrangements post-Brexit?

The UK Government has publicly stated its aim to ensure the continuation of the SEM on the island of Ireland. Maintaining the SEM will support energy security in Northern Ireland.

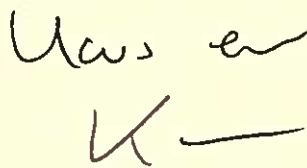
5a. What arrangements will need to be agreed between the UK and the EU to ensure that the I-SEM is not adversely affected by Brexit?

We are considering the technical and legal requirements for maintaining a SEM after EU exit. Maintaining a SEM requires common wholesale electricity market rules and agreed governance arrangements. As part of the negotiation process, the UK aims to agree with the EU the application of consistent rules in Northern Ireland and Ireland to the extent necessary for the operation of a single wholesale electricity market.

6. What is the Government's view on the possibility of greater integration of the UK electricity market – including Northern Ireland – with the European Internal Energy Market?

As the Prime Minister stated in her Mansion House speech on 2nd March, we want to secure broad energy co-operation with the EU. Alongside protecting the single electricity market across Ireland and Northern Ireland, this includes exploring options for the UK's continued participation in the EU's internal energy market. The UK wants to continue arrangements that allow efficient trade of electricity and our ambition – shared with the EU – is to make energy trading easier and more efficient by opening up national markets and increasing the level of interconnection between them.

I am copying this letter to the Rt. Hon. Claire Perry MP, Minister of State for Energy and Clean Growth.

Handwritten signature of Karen Bradley in black ink, consisting of a cursive 'K' followed by a horizontal line.

**RT HON KAREN BRADLEY MP
SECRETARY OF STATE FOR NORTHERN IRELAND**