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Utility Regulator
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19th of July 2012

**Gaelectric response to the Northern Ireland Electricity
Transmission and Distribution Price Controls 2012-2017 – RP5 Draft
Determination**

Dear Mr. O'Neill,

Gaelectric welcomes the opportunity to respond to the Northern Ireland Electricity Transmission and Distribution Price Controls 2012-2017 – RP5 Draft Determination


Gaelectric supports the NIRIG response to the Draft Determination and in addition has documented some key points of interest below.

The information provided in this response outlines the context of Gaelectric's concern on content within the determination to accommodate national targets; legislation and the need for strategic infrastructural development for long term growth. Gaelectric is also apprehensive to the longer term effects of under investment in the existing system.

Gaelectric has concerns on the delays in which the determination has been delivered. The 1st of April was a defined timeline and the regulator has missed this target by some considerable margin. Decisions to invest in Northern Ireland depend on these critical determinations and decisions and if the timelines are not being met then investment may invariably go elsewhere. As stated RP5 was due to be implemented with authorised network spend on 1st April 2012 - New dates indicate it will not happen until October 2012 with issues resolved by end of year according to the Regulator's last statement, although there is no guarantee this will happen. There needs to be an emphasis on meeting targeted deadlines on decisions. This currently does not provide certainty and needs to be addressed.

Turnaround times for regulatory approval for individual projects Fund 3 and the North – South Interconnector. The Regulator determines that with a reporter, the submissions will be in the format that they require and approval will be very quick. The Regulator has requested the appointment of a Reporter to interface between NIE and the Regulator as part of RP5 monitoring. There is no indication of when that appointment will happen or how that will influence timescales – it could increase timescales further if the roles processes are not defined and its responsibilities are agreed by both parties.

In the determination the Cost Benefit Analysis will be in the NIE statement of need and this will be reviewed by the Regulator. If this demonstrates it is in the interest of customers for the project to proceed then approval will be granted. Gaelectric will need to know if the customer benefit is to be immediate, within the 5 year RP 5 period or the longer term of the infrastructure life expectancy. Part of the regulators responsibilities is to secure a diverse, viable and environmentally sustainable long-term energy supply. Gaelectric needs to understand the process. How efficient will this process be? it would be useful to have timelines in place to aid efficient turnaround so not to cause any material delay on projects, also what the decision criteria may be on such approvals? Can the Regulator confirm that it has the resource available to conduct a number of projects in parallel and that there will be no material delay to one project over others?

Turnaround times for regulatory approval 

Process to be followed will be based on:

NIE	UREG
NIE Request approval for pre-construction costs	
	UREG undertake technical assessment and cost benefit analysis (CBA)
NIE prepare outline design and obtain planning permission etc.	
NIE prepare tender documents and undertake procurement and finalise wayleaves etc.	UREG technical assessment of final scheme
NIE submit final cost details to UREG	
	UREG review CBA
	Final Approval by UREG board

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This is not in the determination but has been included in the stakeholder presentation published on the UREGNI web site. The Regulators duties do not include technical assessments. Does the Regulator have the authority to carry out individual Cost Benefit Analysis and Technical Assessments without formal requests from the consumer? If so what additional costs are involved? Does the Regulator have the internal ability to conduct these?

Upgrade of the 11kV network is crucial to the successful delivery of small scale renewable projects. The Minister for the Department of Enterprise Trade and

Investment has made it clear in the Strategic Energy Framework (SEF) the support for all types of Onshore wind renewable energy projects. The 11kV network requires strengthening to support the integration of this technology into the future.

Gaelectric feels that Northern Ireland needs to signal to potential investors that it is open for Business. Infrastructure is key to this success. To do this a stable and reliable environment needs to be in place. Uncertainty within infrastructure maintenance and development could repel investment at a time when political efforts are underway to make Northern Ireland a more attractive and dependable place to locate new business and expand existing industry.. Northern Ireland has an opportunity to invest in itself to deliver an indigenous energy portfolio where the return enables individuals and communities to spend internally. The impact of EU energy policy means that, while the overall trend is for reduced energy demand through improved energy efficiency, conversely this could lead to increased demand for electricity. Renewable heat from electricity, the increased use of electric vehicles and demand side management all have the potential to increase electricity consumption. Network design and management should take account of potential developments in these areas. Planning for increased renewable electricity penetration needs to happen in a timely manner. Infrastructure development is a long lead time process and work needs to progress quickly to minimise the likely delays associated with planning and construction issues.

Infrastructure in Northern Ireland needs to be maintained to a high standard. NIE must identify areas within its Grid network that requires upgrade in the next 5 years so not to cause unnecessary outages and hardship to its customers. If the network is not improved in continuous regulatory periods then it will require upgrade in the next period along with additional required replacement of degraded assets through the existing 5 years. This will ultimately cause additional cost to the consumer much more in the longer term and puts a much increased potential of an unreliable system in the near term. A reactive method of maintaining the system is not productive, certainty in system performance is critical and a proactive approach should be taken.

Minutes lost per customer should not be a statistical method for system rigidity (as intimated at a stakeholder workshop by UREGNI) but a measurement of how NIE have successfully achieved set targets and maintained the system over the past two regulatory periods.

The gap between NIE proposals and the regulators stance is wide. We would urge both parties to reach a settlement acceptable to all. Diverse positions could lead to a protracted dispute resolution process and delay in decision making. This will divert resources from "business as usual" within NIE and the regulator. Renewable energy projects are likely to suffer as a consequence due to the inevitable delays in the approval process.

The Renewables Integration Development Project (RIDP) is a joint initiative between NIE, Eirgrid and SONI in order to identify areas where the grid needs to be strengthened to optimise renewable project connections in the North and North West of Ireland. This scheme will help facilitate both jurisdictions to meet their respective 2020 renewables targets. The project involves key areas for intervention and moving towards making planning applications to ensure consented grid enhancements are achieved. There are significant delays to this scheme and there has been no authorisation to spend in relation to the grid development as yet. The Regulator has deferred spend on this project to the next price control period (RP6) on the basis that it is contingent on the N-S IC, but this project needs to be planned and anticipated now – requiring some allowance in the current period.

Conclusion

Gaelectric believe that Northern Ireland must show reliability and stability in its utility market.

NIE must be able to deliver a safe, reliable and developed system to benefit the Northern Ireland consumer. Rural electrification in the 1950's and 1960's has been a success, delivering the necessity for a reliable energy supply. NIE must now be challenged to deliver a system that now incorporates a diverse generation mix to include renewable technology of 40%+, as stated to accommodate national targets and legislation. NIE must be allowed to deliver a system that is safe, stable, reliable and expand the system to accommodate new generation and demand in all areas of Northern Ireland as the SEF requires. The regulator must ensure NIE are suitably financed (in line with protocol) to complete these elements.

The determination also suggests the regulator is now making the decisions on system need to supply safety, reliability and development of the grid structure to the consumer. Does this now put full responsibility on the regulator if the systems experience unsafe, unreliable and lack of development conditions?

We thank you for the opportunity to comment on this consultation and look forward to continuing our work with the Utility Regulator and NIE.

Regards

Kevin McKeown

Gaelectric