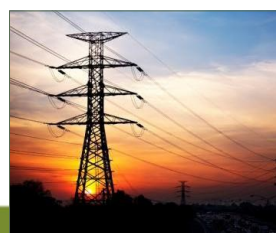


Contestability in Connections

Call for Evidence – 09 September 2014



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted

Be a united team

Be collaborative and co-operative

Be professional

Listen and explain

Make a difference

Act with integrity

Abstract

Concerns have been raised over connections to both transmission and distribution networks and whether the introduction of contestability would improve current connection times and costs.

The Utility Regulator (The Authority) has identified contestability in connections as part of the forward work programme and would like to initiate a call for evidence from all stakeholders interested in this area.

This call for evidence will help identify and prioritise the issues that are preventing the development of contestability in the connections industry, assist in development of policy and inform consultation on that policy.

Audience

All parties owning, connecting to, or providing connections to the electricity network in Northern Ireland.

The Authority would also welcome contributions from customers, customer representative bodies, financial institutes providing finance and other interested parties.

Consumer impact

The benefits of contestability may include but are not limited to:

- increased innovation;
- improved connection times;
- more efficient construction;
- better customer service to parties interested in connecting;
- achieving renewables target; and
- reduced financing/operating costs.

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Executive Summary

The connections industry currently operates as a monopoly with NIE providing all connection offers and constructing all elements of construction in Northern Ireland. As part of the Utility Regulator's (The Authority) forward work programme 2014-2015¹, a review into the introduction of contestability in new connections is planned. The Authority seeks to promote a competition based regime where possible, in line with their duties.

The first step identified in this review is to issue a call for evidence from stakeholders within the connections industry to allow the Authority to form a collective perspective on how contestability could work in Northern Ireland.

This document outlines what is required to engage with the Authority and provide details on how to submit evidence. A timeline for implementation is included, which gives an indicative timetable including stakeholder events and indicates that a decision paper on contestability will be issued in Q2 2015.

It is important to the Authority that stakeholders across the industry are suitably engaged, and therefore a workshop will be held on 29th October which will invite stakeholders to present and discuss the issues surrounding contestability in connections. There will be ongoing workshops and bi-lateral meetings throughout the review.

¹ http://www.uregni.gov.uk/uploads/publications/FWP_201415_final.pdf

1.Introduction

1.1. Context

- 1.1.1. This call for evidence is part of the Authority's commitment to examine the benefits of introducing contestability in connections in Northern Ireland. The Authority will explain how to submit evidence during this review.
- 1.1.2. At present, new connections are made to the distribution network and transmission network either to supply or generate electricity.
- 1.1.3. The increased uptake of renewable generation has created debate about how generator connections should be managed both offshore and onshore. This call for evidence will look for detail around the differences/synergies in these types of connections. It should be noted that these connections can be made on the transmission network and the distribution network.
- 1.1.4. Currently all connection offers are made by either the Transmission or Distribution Network Operator (TNO and DNO respectively). The TNO license is held by SONI Ltd and the DNO license is held by NIE Ltd. Their connection charging methodologies state the scope of connection services that they provide.
- 1.1.5. The Authority has identified that there may be an opportunity for competitors to carry out connection activities which would increase efficiencies within the connections industry. This would also offer choice to the customer applying for a new connection.
- 1.1.6. Activities that competitors can undertake are described as 'contestable' and those that can only be carried out by the TNO/DNO are referred to as 'non-contestable'. Some services may be considered non-contestable by the TNO/DNO for technical or safety reasons.
- 1.1.7. Contestability in connections has been established in RoI and UK. In RoI, contestability has been introduced for distribution connections². In the UK, competition in connections was introduced in the distribution network allowing Independent Connection Providers (ICPs) and licensed Independent Distribution Network Operators (IDNOs) to build LV and HV network offline, prior to connection³. The UK has also introduced Offshore Transmission Network Operator (OFTOs) who have been granted a transmission license for the offshore connection assets⁴.

² <http://www.cer.ie/docs/000215/cer10056.pdf>

³ <https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/competition->

1.2. Purpose of this call for evidence

- 1.2.1. This call for evidence will allow the Authority to gather information from different stakeholders in the connections industry and form an understanding of the issues that currently exist in providing new connections.
- 1.2.2. The Authority seeks to understand the extent of which these issues impact upon the customer for different connection types. The information provided will allow the Authority to understand what steps are required to address these issues.
- 1.2.3. The Authority seeks examples and evidence of where contestability would bring efficiencies to the connection procedures and understand the difficulties that connection applicants are currently facing.
- 1.2.4. This call for evidence should consider what role (if any) the Authority can play in improving efficiencies.
- 1.2.5. There is a questionnaire included in this call for evidence that will help us collect information. The questionnaire aims at identifying all the issues in the connections industry. However, as it is anticipated that there are further issues that have not been identified. Any further information that may be offered would be beneficial to the Authority's assessment.
- 1.2.6. The Authority invites input from anyone with relevant knowledge, experience and expertise with regard to contestability.
- 1.2.7. This call for evidence will help the Authority identify and prioritise issues which are preventing the introduction of contestability in new connections. There are many reasons that contestability has not already been introduced and assessment of whether the introduction of contestability is beneficial to the consumer will be carried out.

1.3. Next Steps

- 1.3.1. The first stage of our process is issue of a call for evidence. The submission required is detailed in Section 2 of this report.
- 1.3.2. All call for evidence documentation must be received by **5pm on 31st October 2014** for consideration.

- 1.3.3. The Authority invites stakeholders to a workshop which will include stakeholder presentations and a summary of their position. This is planned for 29th October 2014.
- 1.3.4. Any stakeholder that would like to present at this workshop is invited to submit their presentations by **5pm on 8th October 2014**. The Authority will review these presentations and select which presentations will form part of the workshop based upon our statutory duties.
- 1.3.5. The Authority will review evidence provided and form a view on how contestability should be implemented. An update will be published in November and then stakeholders will be invited to respond to this assessment. Summary of position statements would be welcomed by the Authority prior to 1st October 2014. A consultation paper will be issued in 2014 after the evidence provided has been collated and assessed.
- 1.3.6. At this stage it is anticipated that the Authority will be in a position to issue a next steps paper in Q2 2015.

1.4. Timeline

1.4.1. Table 1 below shows a summary of the activities the Authority will undertake and an indicative timetable in reaching an outcome.

| Activity | Description | Timing |
|---------------------------------|--|--------------------------------|
| Collation of Information | • Issue call for Evidence | 9 th September 2014 |
| | • Submission of Presentations | 8 th October 2014 |
| | • Stakeholder Workshop | 29 th October 2014 |
| | • Final Submission of Evidence | 31 st October 2014 |
| Information Review | <ul style="list-style-type: none"> • Review information provided and analyse impact of contestability • Bi-lateral meetings with stakeholders and Network Operator | Q4 2014 |
| Consultation | • Publish evidence ⁵ | Q4 2014 |
| | • Issue Consultation paper | Q4 2014 |
| | • Receive responses to consultation | Q4 2014 – Q1 2015 |
| | • Further stakeholder workshop | Q1 2015 |
| | • Proposed Decision Paper | Q2 2015 |
| | • Final responses from stakeholders | Q2 2015 |
| Conclusion | • Next Steps Paper published | Q2 2015 |

Table 1 – Contestability Review Timeline

1.4.2. Any changes to connections procedures will depend on the assessment of information provided in this call for evidence and will be published in the Authority's decision paper.

⁵ Refer to Section 3.1.4. of this report for details on FOIA.

2. Questionnaire Spreadsheet

2.1. Respondent Information

- 2.1.1. The first sheet in the Contestability Questionnaire spreadsheet is to gather information about you and describing your position in the connections industry.

2.2. Questionnaire

- 2.2.1. The Authority has outlined a number of questions (Q1-Q19) in the questionnaire tab of the spreadsheet to identify the stakeholder's understanding of contestability. Please answer these questions where applicable. If any questions are unanswered, they will be assumed to be not applicable to the respondent.

Alongside the questions is a column that asks the respondent to indicate whether their response can be published by the Authority. Please indicate whether you consider that part, or all, of your response should be treated as confidential, with any relevant explanation. Please refer to Section 3.1.4 for more details.

2.3. Specific issues

- 2.3.1. The Authority recognises that there may be issues present that will not be addressed in the questionnaire and would appreciate any evidence that stakeholders can contribute. Therefore the spreadsheet offers three tabs to allow these issues to be captured.
- 2.3.2. As above, please indicate whether you consider that part, or all, of your response should be treated as confidential, with any relevant explanation.
- 2.3.3. If you have more than three issues you wish to include in your submission please copy and paste the issues tab to submit this information.

2.4. Contact details

- 2.4.1. If you wish to discuss any aspect of this call for evidence or have any specific questions about what should be submitted, please email ronan.mcKeown@uregni.gov.uk or call +44 (0) 28 9031 6655.

3.Responding to this call for evidence

- 3.1.1. The Authority welcomes responses to this call for evidence by **5pm on Friday 31st October 2014**. Responses should be sent to:

Ronan McKeown
Electricity Branch
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ER
ronan.mckeown@uregni.gov.uk

- 3.1.2. The Authority's preference would be for responses to be submitted by e-mail.
- 3.1.3. The Authority will seek to publish all responses to this call for evidence on the UREGNI website (where appropriate). If part of your response is confidential, it would be helpful if you could also submit a non-confidential version of your response redacting all confidential information.
- 3.1.4. As a public body and non-ministerial government department, the Authority is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this and in particular, if asking the Authority to treat responses as confidential, should specify why they consider the information in question should be treated as such.
- 3.1.5. This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Authority, which will be happy to assist.