Utility Regulator
ELECTRICITY GAS WATER

From the office of the Chief Executive

Roger Henderson
Network Assets Director
Northern Ireland Electricity Networks
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13 May 2022

NET/E/JF/503a
By Email

Dear Roger

Green Recovery Allowance Decision

This letter sets out the Utility Regulator's decision in respect of Green Recovery costs under paragraph 4.36 of Annex 2 of the NIE Networks Distribution Licence.

Our decision takes account of the information provided in your submission of 1 April 2022 and the associated Independent Assessor's report.

We have determined an additional allowed CAPEX amount ($ACDR\_X_t$) of £41.223m (2020/21 price base) for the works with the expenditure per the profile shown in the table below.

	2022/23 (£m)	2023/24 (£m)	Total (£m)
Upgrade of low capacity OHL conductor (inc 927N^o low capacity (<10kVA) transformer replacements)	7.357	17.167	24.524
Low capacity (<10kVA) transformer replacement (stand-alone programme)	1.971	7.885	9.856
Primary substation upgrades	1.935	4.908	6.843
Green Recovery Totals	11.263	29.961	41.223

The allowance provides for the outputs identified in the Annex A to this letter being delivered on or before 31 March 2024.

We will publish the decision by uploading it to our website and including it in the public register required under Article 57 of the Electricity (Northern Ireland) Order 1992

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Under paragraph 4.38 of Annex 2 of the NIE Networks Distribution Licence the Utility Regulator may make a determination subject to conditions with which the Licensee shall be required to comply, including conditions as to the monitoring, audit and reporting in relation to the project. In respect of this determination we require changes to some of our annual reporting procedures including an adjustment of the outputs and unit costs which were set out in Annex P of the RP6 final determination.

Annex B to this letter sets out how we propose to adjust the existing RP6 allowances for 11kV OHL re-engineering and refurbishment and introduce new outputs for 11kV OHL upgrade including replacement of low capacity transformers in line with the additional capex allowances set out above. We will contact you separately to finalise the amended outputs and reporting requirements.

Should you require any further information or clarification please do not hesitate to contact me.

Yours sincerely

John French
Chief Executive Officer

Cc Gerard Magee (NIE Networks)
Lynsey Jess (NIE Networks)
Andrew Cupples (NIE Networks)
Carl Hashim (NIE Networks)
Tanya Hedley (UR)
John Mills (UR)
Alan Craig (UR)
Sean Lyons (UR)

Annex A – Outputs & Allowances

The table below lists the additional outputs to be delivered on or before 31 March 2024 and the associated allowances

Output	Volume	Detail	Allowance (£)
5kVA Transformer Replacement	2,800ea	Pro-actively replace low capacity (<10kVA) pole mounted transformers with new 25kVA units as a stand-alone programme of works	9,856,000
Primary S/S upgrade	1ea	Aghagallon Substation: Increase firm capacity by 5.8MVA	1,819,738
Primary S/S upgrade	1ea	Ballymacash Substation: Increase firm capacity by 1.5MVA	1,898,857
Primary S/S upgrade	1ea	Carrickfergus West Substation: Increase firm capacity by 3MVA	64,637
Primary S/S upgrade	1ea	Killylea West Substation: Increase firm capacity by 4.2MVA	941,050
Primary S/S upgrade	1ea	Kilrea Central Substation: Increase firm capacity by 9.8MVA	935,863
Primary S/S upgrade	1ea	Tullygoonighan Substation: Increase firm capacity by 9.8MVA	1,182,675
Low capacity OHL conductor upgrade	1819km	The extra over cost of upgrading of 11kV overhead line from 25mm^2 conductor to 50mm^2 conductor in addition to the allowances included in the RP6 final determination for the refurbishment and re-engineering of the same OHL.	22,748,290
Low capacity OHL conductor upgrade	927ea	Replace all low capacity (<10kVA) pole mounted transformers on circuits being refurbished/rebuilt per the company's new specification to be introduced January 2023 (in addition to all other funding streams for this task)	1,775,847
Total			41,222,957

All of the above items require realignment of RP6 outputs as defined in Annex P of the RP6 final determination.

Annex B – Realignment of RP6 Annex P for OHL outputs

This annex outlines the amendments to outputs and allowances we propose to make to reflect the change of overhead line refurbishment and re-engineering to include the replacement of all 25sqmm conductor. We propose to reduce the output lengths for re-engineering (D08a) and refurbishment (D08b) in RP6 by 1819km to be replaced by a new output (D08f) of the same length which will cover all re-engineering and refurbishment including upgrading all 25mm^2 conductor to a minimum of 50mm^2 conductor. We propose to introduce an additional output (D08g) for the replacement of low capacity transformers on11kV OHL upgraded to the new specification.

The decision above provides an additional allowance for the change of specification which is an extra over allowance in addition to the allowances already included in the RP6 final determination for the refurbishment and re-engineering of the same OHL.

To provide a revised determined allowance for the new 11kV OHL outputs, it is necessary to reduce the value of the existing allowances and transfer this value to the new output in addition to the extra over allowance included in the decision above. This annex sets out how we propose to do this. We will review and finalise these proposals following further discussion with NIE Networks.

The original allowances for 11kV OHL refurbishment and re-engineering for RP6 were set out in Annex P of the final determination as shown in Table 1.

Sub-programme	Name	UoM	Volume	Unit Cost Post RPE (£k)	Allowance Post RPE (£k)
D08a	Re-engineer	km	3,033	8.513	25,819.474
D08b	Refurbish	km	6,067	1.810	10,979.438
			9,100		**36,798.912**

Table 1

The assessment of extra costs for the Green Recovery decision above was based a length of 1819km of work to the new specification including the replacement of all 25mm^2 conductor which would replace an estimated 687km of re-engineering and 1132km of refurbishment. Deducting this from the original outputs for RP6 gives the amended outputs and allowances for RP6 shown in Table 2 below.

	D08a	D08b	Totals
RP6 final determination Annex P outputs (km)	3,033	6,067	**9,100**
Estimated outputs replaced by work completed under the Green Recovery to the new specification (km).	687	1,132	1819
Adjusted re-engineering and refurbishment work for RP6 (km)	2,346	4,935	7,281
Unit Cost Post RPE (£k) (see Table 1)	8.513	1.810	
Estimated value of adjusted re-engineering and refurbishment in RP6 (£k)	19,971.146	8,930.860	28,902.006
RP6 allowance for re-engineering and refurbishment (£k) (see Table 1)			36,798.912
Reduction in the RP6 allowance for re-engineering and refurbishment (£k) transferred to the new output for 11kV OHL rebuild			**7,896.906**

Table 2

To maintain consistency with the RP6 final determination and funding, it is necessary to convert the allowance for 11kV OHL rebuild and associated transformer replacements to 2015/16 price base. To do so, we used the RPI CHAW deflation factor of 0.8817533 to convert relevant additional allowances shown in Annex A to 2015/16 prices as follows:

- the extra over cost of upgrading of 11kV overhead line from 25mm^2 conductor to 50mm^2 conductor (1819km), £20,058.380k;
- replace all low capacity (<10kVA) pole mounted transformers on circuits being refurbished/rebuilt per the company's new specification (927), £1,565.859k.

The revised allowances, allowing for the reduction of output for D08a (re-engineering) and D08b (refurbishment) and the transfer of existing RP6 allowances to the new 11kV OHL output (D08f) are set out in Table 3.

Sub-programme	Name	UoM	Volume	Unit Cost Post RPE (£k)	Allowance Post RPE (£k)
D08a	OHL Re-engineer	km	2,346	8.513	19,971.146
D08b	OHL Refurbish	km	4,935	1.810	8,930.860
D08f	OHL Rebuild to new specification	km	1,819		
	Additional allowance				20,058.380
	Transfer of existing allowance (see Table 2)				7,896.906
	Amended allowance	km	1,819	15.368	27,955.286
D08g	Low capacity transformer replacement on D08f rebuild	ea	927	1.689	1,565.859
	Total allowances 11kV OHL				**58,423.151**

Table 3

The complete Annex P revised output data is shown in table 4

Sub-programme	Name	UoM	Volume
D08a	Re-engineer	km	2,346
D08b	Refurbish	km	4,935
D08f	Rebuild to new specification	km	1,819
D08g	Low capacity transformer replacement on D08f rebuild	Ea	927
D08h	Low capacity transformer replacement (stand-alone programme)	Ea	2800
D57f	Aghagallon Substation: Increase firm capacity by 5.8MVA	Ea	1
D57g	Ballymacash S/S: Increase firm capacity by 1.5MVA	Ea	1
D57h	Carrickfergus West S/S: Increase firm capacity by 3.0MVA	Ea	1
D57i	Killylea West S/S: Increase firm capacity by 4.2MVA	Ea	1
D57j	Kilrea Central S/S: Increase firm capacity by 9.8MVA	Ea	1
D57k	Tullygoonighan S/S: Increase firm capacity by 9.8MVA	Ea	1

Table 4