

SONI Response

Consultation on proposed modifications to Condition 5 of electricity generation licences

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Introduction

SONI (System Operator for Northern Ireland) is the Electricity Transmission System Operator for Northern Ireland. We bring electricity to every part of Northern Ireland and plan ahead for future growth. From our control centre in Belfast, we match supply and demand for power every second of every day by using the transmission system.

SONI's statutory obligations to NI consumers include:

- Developing and maintaining an efficient, coordinated and economical Transmission Network capable of meeting the long-term reasonable demands for the transmission of electricity;
- contributing to Security of Supply through adequate capacity and reliability; and
- facilitating competition in Supply and Generation.

We are responding to the Utility Regulator (UR) notice issued under Article 14 of The Electricity Order (Northern Ireland) 1992 in the context of these roles and the explicit reference to SONI in the proposed modifications to Condition 5 'Security arrangements' of electricity Generation Licences. Although this consultation proposes modifications to Generation licences in Northern Ireland, the changes will support SONI in its contribution of security of supply for consumers in Northern Ireland. We therefore welcome and support the changes proposed, particularly as the changes in the Northern Ireland generation portfolio in the coming years is expected to increase reliance on natural gas. This vulnerability is exacerbated by the international response to the Russian invasion of Ukraine.

In this response we highlight the context within which these new obligations on Generation Licence holders will operate and request consideration of some of the more nuanced implications of the proposed wording as a result.

We are available to discuss any of the items raised in this response, noting our need for access to this information requested in the Generation Licence modifications ahead of the coming winter and therefore a timely decision will be important.

Existing Framework

These Generation Licence obligations will complement the existing framework for fuel security in Northern Ireland, and will specifically need to work alongside:

- The Electricity (Northern Ireland) Order 1992 which provides the Department for the Economy (DfE) with the powers to direct the fuel stocks to be held at a generating station¹;
- The Fuel Security Code which sets out communications around fuel stock levels in advance of a Fuel Security Event in Section 4.2²;
- The Grid Code³ which sets out obligations on generation to comply with the Fuel Security Code to the extent that it is expressed to apply to it in Connection Condition 14;

¹ <https://www.legislation.gov.uk/nisi/1992/231/article/37>

² <https://www.economy-ni.gov.uk/sites/default/files/publications/deti/FSC%20%20PUBLISHED%20VERSION%20OCTOBER%202015.pdf>

³ <https://www.soni.ltd.uk/how-the-grid-works/grid-codes/>

- The Fuel Switching Agreement which was established in line with the Fuel Security Code and Condition 29 of the SONI Transmission Licence to ensure exceptional costs relating to operation on secondary/alternate fuel are recovered and provisions related to operation of the generator on its secondary/alternate fuel are detailed (noting that it is the Generator that asks SONI to enter into the agreement); and
- The Trading and Settlement Code which includes provisions for Dual Rated Generating Units.

By adding explicit obligations to provide information to SONI into the Generation Licence in relation to secondary fuel, the UR is:

- Removing ambiguity around the circumstances when SONI can make these requests;
- Emphasising the importance of fuel security for the wellbeing of all in Northern Ireland; and
- Introducing a clear route to enforcement if the information is not provided.

SONI agrees that these modifications are necessary to allow both SONI and the UR to fulfil their duties effectively under the Northern Ireland legal framework.

Terminology

The proposed Generation Licence modifications will need to align with the terminology that is used within the commercial framework, for example the Trading and Settlement Code and the Fuel Switching Agreements. The Fuel Switching Agreements currently use the following terms:

- “Fuel-Alternate” which means fuel which is used to power the Generating Unit(s) which is not Fuel-Main.
- “Fuel-Main” which means the fuel which is predominantly used to power the Generating Unit(s) as nominated by the Generator to SONI in writing from time to time.

It would be helpful to avoid ambiguity between the Generation Licence and the Fuel Switching Agreement and we would be happy to explore options with you. However, in the short term, we suggest that the decision paper on these proposed modifications could be used to provide clarity around any ambiguity there might be between the two documents.

We have one concern around what could be viewed as a potential gap for the provision of information on fuel stocks related to Dual Rated Generator Units in the Single Electricity Market (SEM) and the applicability of the term, “secondary fuel”. Without information about stocks or supplies of both fuels for Dual Rated Generator Units, we will not be able to assess the full status of fuel stocks and hence fuel security for generation in Northern Ireland.

We therefore ask that consideration is given to either updating the definitions to ensure that the scope of the obligation clearly covers both sets of fuel stocks/supplies in that situation or alternative wording is added to the modification.

Grid Code Modifications

Once the final determination is made on these Generation Licence modifications, SONI will propose and consult on corresponding modifications to the Grid Code. We expect these modifications to include updates covering the following aspects of secondary fuel:

- Format for provision of information on fuel stocks to ensure it is provided consistently and in an accessible and useable way; and
- Technical and testing requirements for secondary fuel.

Applicable Generators – Future Proofing

While this condition will initially apply to all generators identified by UR, there may be a future change in the circumstances of an individual site. Therefore, while the obligation is currently relevant, this may not remain so in the future. For example, a unit may obtain derogation from future grid code provisions related to secondary fuel. Following the formal licence modification processes for these units, particularly where a time limited grid code derogation applies, would be cumbersome. It would therefore reduce the regulatory burden if the UR provided itself with the option to derogate from the requirements of Paragraph 4, should an equivalent Grid Code derogation be provided, or circumstances change in other ways.

Fuel Security Code and Fuel Switching Agreement

SONI also recommends that the Fuel Security Code and the Fuel Switching Agreements need to be reviewed in light of any decision on these Generation Licence modifications to ensure that there is no ambiguity or conflict around secondary fuel obligations.

Conclusion

SONI supports these proposed Generation Licence modifications and would be happy to meet with the UR to discuss our response. We would emphasise the importance of fuel security and the associated information required to ensure the wellbeing of all electricity customers in Northern Ireland this coming winter, and urge the UR to ensure that these modifications come into effect at the earliest opportunity.