

Conleth McAteer
SONI Ltd
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

21 December 2023

Our Ref – NET/E/DH/773

Dear Conleth,

RE: ‘Lagging’ Derogation – KGT3 and KGT4 Units

Having taken into account the views of key stakeholders including SONI, The Authority¹ has decided to grant EP Kilroot Ltd (**EPK**) a direction (the **EPK Lagging Direction**) under Condition 4(2) of EPK’s licence to generate electricity (the **EPK Licence**). This applies to the KGT3 and KGT4 Generators at Kilroot Power Station and relieves EPK from its licence obligation to comply with specified parts of the Grid Code, for the lifetime of these units.²

The specified parts of the Grid Code relate, in summary, to the obligations set out in section CC. S1.1.3.2 (i) of the Grid Code relating to power factor (lagging) requirements (**the Lagging requirements**).

The EPK Lagging Direction, and our reasons for making it, are fully set out in a letter also published today. The EPK application for derogation *“requests that the Utility Regulator grant derogations to Kilroot and to SONI, from compliance with Grid Code clause CC. S1.1.3.2 (i).”* SONI has indicated to the Authority that it is supportive of the making of the EPK Direction.

¹ In this letter (and the direction found at the Annex) the words “Authority” “we” “our” “us” and “UR” are used interchangeably to refer to the Northern Ireland Authority for Utility Regulation.

² Note that the ceases to apply from the date that KGT3 and KGT4 can comply with the limits set out in CC. S1.1.3.2 (i), or an earlier date the Authority may determine by a subsequent Direction.

SONI submitted a Derogation Request Form (the SONI Application) on 16 November 2023, formally applying for a Grid Code derogation ‘matching’ the one provided to EPK under the EPK Lagging Direction (for KGT3 and KGT4).

Condition 16(1) of SONI’s TSO Licence (**the SONI Licence**) obliges it to implement the Grid Code. It further provides (in Condition 16 (12)) that the Authority may relieve SONI of its obligation to implement, comply with (or enforce) the Grid Code to the extent specified in any direction.³

This letter sets out our decision on SONI’s application for a matching derogation, relating to the application of CC. S1.1.3.2 (i) of the Grid Code, to the KGT3 and KGT4 Units.

SONI’s Application

SONI’s application is made under Condition 16 (12) of the SONI Licence. SONI requests a derogation from enforcing CC. S1.1.3.2 (i) on the KGT3 and KGT4 units, which can only achieve a maximum of 0.83 (lagging) rated power factor, with CC. S1.1.3.2 (i) requiring a minimum (lagging) rated power factor of 0.8.

SONI is seeking a duration of derogation *“equal to the period granted to EP Kilroot with regards to derogation request 03_2023_01.”* (in the EPK Direction). We note that the derogation period requested, and granted, in the EPK Direction was for the lifetime of the KGT3 and KGT4 Units, subject to compliance being restored, or future Directions by the Authority rescinding this.

SONI says that this non-compliance with CC. S1.1.3.2 (i) has been inherited since the Units were installed and commissioned in 2009, but has only been brought to light recently.

SONI anticipates no further impacts on consumers, security of supply, competition, sustainable development, health and safety and Government Policy, if the derogation request was granted. We note that SONI has described alternative actions that have been considered as *“not relevant to this derogation application.”* As we have noted, the

³ [2022-11-18 SONI TSO Consolidated.pdf \(uregni.gov.uk\)](https://www.uregni.gov.uk/2022-11-18-SONI-TSO-Consolidated.pdf).

derogation applied for, would last for the lifetime of the operation of the KGT3 and KGT4 units, and the EPK Lagging Direction describes how EPK thought alternative actions considered were cost prohibitive.

The Authority's Decision

We have considered the matters outlined in the SONI Application for a 'matching' Derogation, the EPK Lagging Direction, our published 2017 Guidance⁴ on derogations, and our principal objective and general statutory duties as set out in Article 12 of the Energy (NI) Order 2003.

At this point we would re-iterate our understanding of the EPK Lagging Direction, which informed this Decision. In the EPK Lagging Direction, we came to the conclusion it was appropriate to grant the request, based on the difficulties cited (by EPK and SONI) in upgrading the system to a compliant state, and the potential lack of benefits to the consumer in doing so.

Having considered these matters the Authority has decided to make an appropriate direction in exercise of its power under Condition 16(12) of the SONI Licence, being satisfied that the application by SONI, and the making of the EPK Lagging Direction, renders the making of the direction justified. The direction:

- (a) is attached as an Annex to this letter; and
- (b) relieves SONI of any obligation it has to comply with, implement (or enforce) the provisions of the Grid Code in respect of EPK's obligation to comply with CC. S1.1.3.2 (i), of the Grid Code in relation to the KGT3 and KGT4 Units, to the extent specified in the direction.

For the avoidance of doubt, the direction now given only relieves SONI from its Condition 16(1) licence obligation – in respect of EPK's operation of the KGT3 and KGT4 Units – to the extent that EPK's operation of the KGT3 and KGT4 Units are non-compliant with the relevant clause of the Grid Code (as in effect at the date of this direction).

⁴ [Decision Paper on Derogations - February 2017.pdf \(uregni.gov.uk\)](#)

The direction shall cease to apply should the KGT3 or KGT4 Units be de-commissioned or replaced.

The SONI KGT3 and KGT4 Lagging Direction shall be entered and maintained in the Electricity Register

Yours sincerely,



Donald Henry
Networks and Energy Futures Director

ANNEX

DIRECTION UNDER CONDITION 16(12) OF THE LICENCE TO PARTICIPATE IN TRANSMISSION OF ELECTRICITY HELD BY SONI LIMITED

Whereas:

- (A) SONI Limited (“**SONI**”) (“**the licensee**”) holds an electricity transmission licence (the “**Licence**”) granted to it on 3 July 2007.
- (B) The licensee is authorised to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.
- (C) The Grid Code is required to be prepared by SONI Limited, approved by the Utility Regulator (“**UR**”) and applied by SONI Limited to permit the development, maintenance and operation of an efficient, co-ordinated and economical Transmission System.
- (D) Paragraph 1 of Condition 16 of the Licence requires the licensee to comply with the provisions of the Grid Code insofar as applicable to it.
- (E) Paragraph 12 of Condition 16 of the Licence provides that the UR may issue direction(s) (after consultation with the licensee), relieving the licensee of its obligations to implement, comply with, or to enforce against any other person any provision of, the Grid Code in respect of *inter alia* such parts of the transmission system to such extent as may be specified in the directions.
- (F) The Authority has made a direction (the **EPK Lagging Direction**) granting EP Kilroot Ltd (**EPK**) relief under Condition 4(2) of EPK’s electricity generation licence (the **EPK Licence**) from its obligation under Condition 4(1) of the EPNIE Licence to comply with the Clause CC. S1.1.3.2 (i), of the Grid Code (as in effect at the date of this direction) in respect of the KGT3 and KGT4 Units.

The Authority now directs as follows:

1. Pursuant to the power available under paragraph 12 of Condition 16 of the Licence, the Authority directs that the Licensee is relieved of any obligation/s it has under Condition 16 of the Licence to implement, comply with and enforce, Clause CC. S1.1.3.2 (i), of the Grid Code (as in effect at the date of this direction) in respect of EPK's operation of KGT3 and KGT4 (at Kilroot Power Station) for the relevant period to and only to the extent that that operation is outside the terms of CC. S1.1.3.2 (i), but permitted by the derogation provided (to EPK), by the terms of the EPK Lagging Direction.
2. The relevant period is the remaining lifetime of the unit, from the date of this letter to the decommissioning date of the unit, or an earlier date the Authority may determine by a subsequent Direction.
3. The Authority may revoke, vary, or replace this direction by a further Direction before the end of the relevant period.
4. This direction shall further cease to apply on and from any date that the KGT3 or KGT4 Units are de-commissioned or replaced.
5. The reasons for this direction are set out in a letter accompanying and published with it.

Signed:



Name: Donald Henry
Networks and Energy Futures Director
Date: 21 December 2023

Duly authorised by and on behalf of the Northern Ireland Authority for Utility Regulation