



Contestability in NI

SSE Presentation to Industry
Workshop

29th October 2014



Introduction

- Why is contestability such a high priority for SSE?
- Why is contestability such a high priority for NI consumers?
- 2 SSE case studies
- Key points regarding roll-out of contestability
- Next Steps
- Conclusion

Why is Contestability such a high priority for SSE?

It brings control of 2 key risks associated with grid connection of large-scale energy projects in-house:

- Cost
- Timeline

Why is Contestability such a high priority for SSE?

- Developers are better able to manage connection delivery risk, because
 - They avoid one or more approval stages by regulator
 - They can balance cost and timetable to maximise value
 - They do not always have to seek the lowest cost
 - They can exploit cost-saving opportunities by avoiding standard pricing and taking risk on themselves

Why is Contestability such a high priority for NI Consumers?

- Early renewable project delivery benefits consumers by
 - Pushing down the price of electricity in the SEM.
 - Reducing pollution associated with electricity production.

2 SSE Case Studies

Slieve Kirk Wind Park – Local Economic Benefits

The Numbers behind Slieve Kirk Wind Park



£55 Million local SSE investment out of £125 million CapEx



Number of local suppliers used*:
75



Percentage of suppliers used considered SMEs:
85% considered SMEs



No. of homes powered †
65,000

- Local economic investment delivered:
- **Construction Phase £36 million**
 - Environmental, design, geotechnical, engineering, electrical services; quarry and plant hire; building supplies, steel works, hotel and catering services
 - **Over 276 individuals employed during construction** – over 60% living within 15 miles
- **Operational Phase - £18.5 million** over 25 years
 - Commercial rates, community funding and landowner payments
 - 10 to 15 long term operation and maintenance jobs

Slieve Divena – Connection Delays

Slieve Divena is an 18MW project in Co Tyrone.

The project received planning in 2007 and a grid offer in 2009 with a targeted connection date of 2012.

SSER bought Slieve Divena in 2009 and made significant investment on this project to date and has not yet realised the investment.

The impacts of these slippages on SSE are as follows:

- Running costs- due to land option renewal and other costs.
- Financial cost- due to lack of return on investment.
- Cost of delay due to policy changes since investment decision made - NIRO rebanding and possibly introduction of CfD.

NIE Programme Issue date	NIE Planned Connection date for Slieve Divena 2
Feb-10	Dec-12
Jun-10	Sep-13
Jun-11	Feb-14
Sep-11	Mar-15
Apr-12 (update from NIE)	Apr-15
Jul-13 (update from NIE)	Dec-16
Feb-14	Mar-17

Key points relating to roll-out of contestability

- Contestability is not a new idea- templates exist from GB and RoI
- SSE routinely delivers contestable grid connections across ROI and UK
- SSE has delivered the only contestably built grid connection in NI to date at Slieve Kirk wind farm and proven the benefits
- A well-documented path exists already

Contestability Next Steps

- ☐ *The output of this process must be the delivery of contestability as opposed to 'Next Steps' paper in Q2 2015*
- ☐ *NIAUR needs to engage regularly with industry to bring about quick and comprehensive implementation*
- ☐ *NIE must start work on refining functional specifications now in parallel with consultation and finalising process*

Conclusion

Do not reinvent the wheel- industry as well as network owners in other regions have valuable experience- use them!