



Response to UREGNI Consultation on -
Review of Electricity Distribution and Transmission
Connections Policy

on behalf of AES Kilroot Power Ltd and AES Ballylumford Ltd

15 May 2017

Introduction

AES Kilroot Power Ltd and AES Ballylumford Ltd (collectively 'AES') submitted a response to UREGNI's Call for Evidence – *Review of Electricity Distribution and Transmission Connections Policy* in November 2017 (copy attached), in which AES stated the position that connection policy should maximise efficiency and investment to deliver a secure, affordable and sustainable electricity system. Further, AES contended that consideration should be given to how connections are offered to differing types of generation in order to maintain security of electricity supply.

Overall, AES' position is that connection policy should seek to:

- Deliver on Energy Policy;
- Support, and be responsive to market structures (I-SEM Capacity Market, DS3);
- Catalyse investment and enable competition within the energy market; and
- Ensure delivery of the quantity, quality, and location of generation required to meet system needs.

It is within the context of AES' response to the prior Call for Evidence that the response to this Consultation should be viewed. It remains AES' position that the above factors are of paramount importance to ensuring delivery of a secure electricity supply, and the recommendations therein are taken forward.

AES is pleased to respond to the questions raised in this Consultation, however feels that the critical issue of ensuring a robust and transparent process for considering new applications for interconnection, beyond the Phase 1 backlog, is not investigated in sufficient detail in this document. AES urges further engagement on this subject, given its critical importance to security of electricity supply.

Section: Connections network management
Sub-section: Connections charging framework

1.33: A connecting party may make a commercial decision to pay more. It is worth noting that connecting customers can pay for deeper network investment on a voluntary basis, under the current legal framework.

AES response: AES agrees with the approach that connecting parties may elect to pay more in order to secure their connection, as a means of reducing risk.

Section: Connections process and queue
Sub-section: Planning permission

1.45: We note that some respondents believe that a risk of hoarding may be immaterial. We would expect NIE Networks or SONI to determine whether further measures are justified in light of the materiality of this risk.

AES response: AES believes that the risk of hoarding is not immaterial, and when considered in the context of future delivery of required capacity (facilitated by the T-4 CRM auction), it is imperative that sufficient system capacity exists to support the timely development of capacity required to ensure security of supply. Therefore measures should be introduced to prevent a capacity deficit arising in future.

Sub-section: Prioritisation of connections

1.49: This may be the case if NIE Networks or SONI can demonstrate that doing so would not be to the detriment of other non-comparable applicants. In practice, we would expect NIE Networks or SONI to demonstrate that promotion in this way would avoid the need for reinforcement, leading to more efficient and faster connections for others.

AES response: AES strongly supports this approach, given the improved utilisation and efficiency of existing transmission and distribution network infrastructure that certain technologies such as battery based energy storage can bring. In the context of AES' response, 'storage' refers to fast-acting electricity storage technologies (e.g. battery energy storage), as opposed to technologies which incorporate forms of storage to enhance fossil fuel combustion. We believe that the basis for prioritisation should be demonstration that this could avoid (or defer) the need for reinforcement. In other global markets, AES Energy Storage has already deployed grid-based storage solutions with utilities to alleviate such challenges at both Transmission and Distribution scale which have deferred investment and provide network reinforcement at a lower capital cost and far shorter time to implementation than conventional upgrade works.

1.51: We request that NIE Networks and SONI ensure that a robust process is in place for considering new applicants beyond Phase 1.

AES response: As highlighted in the introduction to AES' consultation response, AES reiterates its response to the earlier Call for Evidence, in that clarity and transparency is essential with respect to:

- 1) how requests for new connections will be dealt with; and
- 2) how the programme and timetable to achieve the connection will be formulated and executed.

AES considers that the potential for adverse impacts to security of supply due to an uncertain connections process is latent and material, and that prospective developers of dispatchable, synchronous plant require certainty as to the timing of receiving connection offers. AES anticipates further detailed engagement on this subject.

Sub-section: SONI offer timelines

1.57: We will consider whether licence modification is appropriately required to allow SONI to declare complex offers. We are interested in views on whether this should be done.

AES response: AES supports the approach whereby licence modification is applied in certain circumstances in order to ensure that offers may be made.

Section: Customer service, engagement and transparency

Sub-section: Pricing transparency

1.58: In the November 2016 consultation, we asked stakeholders whether we should strengthen the level of connections charging pricing transparency.

AES response: Transparency is crucial and AES proposes that SONI should be included in this issue, given that the organisation charges for Connection Applications.

Sub-section: Network and generator information

1.72: We ask that, in doing so, it considers how such information should be provided in a way that is readily available to those who require it. In considering the value of what information is required and how it is disclosed, NIE Networks should consider the needs of different types of connection and the stage in the process they are at (pre-application, contracted, etc.). We recommend it engages with industry to understand their needs.

AES response: AES supports the provision of generator and network information, in accordance with the connector's needs, as a means to allow developers to make informed judgements and therefore not unduly delay decision-making, albeit without knowing the intention of other developers.

Section: Extension and connection offer requirements

Sub-section: Requirements for connection offer extensions

2.2: They must provide an offer to connect to the network as soon as is reasonably practicable and not more than 3 months after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer, unless the Authority consents to a longer period. We refer to this 'longer period' as an extension.

AES response: AES proposes that an option should be put in place, allowing both parties to mutually agree a longer response period from the outset.

2.5: Article 21 of the Order provides several grounds on which NIE Networks can refuse a connection. One such ground is where it is deemed that there is a lack of capacity.

AES response: AES proposes that those connections which are deemed to be unfeasible at a certain point in time should be given the option to go 'on hold', pending future system development, rather than face an immediate refusal.

Sub-section: What we are reviewing and why

2.11: Since the dispute determination, we have given NIE Networks extensions to allow it to allocate remaining network capacity. The latest extension means that NIE Networks has until the end of August 2017 to provide offers for both Phase 1 and Phase 2 connection applications.

AES response: AES requests further clarification on Phase 2 of the alternative connection application process, in particular timescales and the means by which connections will be offered.

2.16: Resolving duplication and inconsistencies will support NIE Networks and SONI by ensuring it has sufficient regulatory certainty to proceed appropriately, when extensions run out at the end of August 2017, and thereafter. We are also considering whether supporting protections should be put in place so that NIE Networks or SONI connects a customer where it is economically efficient to do so.

AES response: AES requests clarification as to whom it is economically efficient for? AES is conscious that this may give rise to an unfair bias in favour of developers of smaller generating capacity.

Sub-section: Initial considerations on refusal to provide a connection offer

2.37: It is not our intention to strengthen NIE Networks ability to refuse provision of connection offers and it is important that NIE Networks and continues to do so where it is economically efficient to in fact connect any customer. We will consider supporting measures here, including whether an economic test is required via licence. We welcome views on this.

AES response: AES supports the undertaking of a test in order to ensure that connections, or modifications to existing connections are granted which contribute to improved security of supply, reduced environmental impact, and reduced cost of electricity, when considered on a system-wide

basis. AES considers that granting of connection requests solely on a queue-based system risks detriment to the electricity system and consumers. In applying a more detailed test, certain projects and technologies may advance quickly through the connection process, should they be considered to contribute to security of supply, and contribute to economic, and environmental benefit.

In the event that an application for a connection is refused, AES recommends that arbitration is an option available to unsuccessful applicants as a means to challenge any refusal.