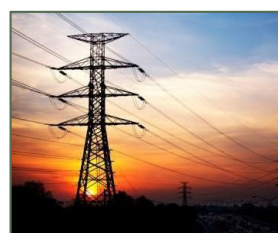


Expanding the Scope of Contestability in Northern Ireland

Call for Evidence Paper

01 February 2021



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's (NI) electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in NI are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the NI Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This call for evidence is part of the Authority's commitment to keep under review areas of contestability in connections in NI. The Utility Regulator has an ongoing responsibility to review the impact of contestability in NI and make changes to the proposed arrangements if necessary to promote competition.

The aim of the consultation is to provide stakeholders with a contestability update, and seek views on the potential to further introduce contestable works for new connections in NI.

Audience

This document will be of interest to Transmission System Operators (TSOs) within the all-island market, the Distribution Network Operator (DNO) within NI, Independent Connection Providers (ICPs), market participants and other industry and statutory bodies.

Consumer impact

Any future changes will have an impact on the scope of contestability and therefore on the extent to which a customer can choose who (NIE Networks or an ICP) carries out the work associated with their connection.

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1 The purpose of this paper

- 1.1 This call for evidence aims to review areas of contestability in connections in NI. The Utility Regulator has an ongoing responsibility to review the impact of contestability in NI and consider changes to the proposed arrangements if necessary to promote competition.
- 1.2 The aim of the paper is to provide stakeholders with a contestability update, which illustrates a brief history of contestability in NI and where we are to date with contestability in connections. This call for evidence also provides stakeholders with an opportunity to respond to our consideration to potentially further introduce contestable works for new connections in NI.

2 The history of contestability in NI

- 2.1 The Utility Regulator set out plans in our Forward Work Plan for 2014-2015 for the introduction of contestability in electricity connections in order to promote choice for customers and reduce both connection costs and timescales.
- 2.2 The Utility Regulator issued a call for evidence in September 2014¹ followed by a consultation paper² (December 2014) and a proposed next steps paper³ (May 2015).
- 2.3 In January 2015 the Utility Regulator established the Contestability Working Group⁴ (CWG) with representatives from ICPs, DNO, TSO and other stakeholders. The Working Group met monthly to consider the issues surrounding the introduction of competition. The Utility Regulator then issued a decision paper on contestability on 31st July 2015⁵.

¹ <https://www.uregni.gov.uk/consultations/introducing-contestability-electricity-network-connections-call-evidence>

² https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/Contestability_in_Connections-Final_0.pdf

³ https://www.uregni.gov.uk/sites/uregni/files/consultations/UR_Next_Steps_Paper-Contestability_in_Connections.pdf

⁴ <https://www.uregni.gov.uk/contestability-working-group>

⁵ https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/Contestability_in_Connections_-_final_decision_paper_-_July_2015.pdf

- 2.4 The activities that are be deemed to be contestable and non-contestable in NI include;

Contestable Works in NI	Non Contestable Works in NI
Detailed Design	Definition of point of connection
Route and Site Selection	Design of point of connection
Site Acquisition	Upstream reinforcement
Planning Permission/Wayleaves	Making final connection to existing system
Procurement	System protection, metering and communication
Construction	Handover and acceptance of contested assets
Pre-commissioning	Design review
	Commissioning
	Functional Specifications
	Determination of Ownership Boundary
	Inspection and Monitoring
	Work within existing live substations

- 2.5 Following the decision paper, NIE Networks and SONI provided a draft set of implementation guidelines for both Transmission and Distribution connections. They used the information provided in the Utility Regulator's decision paper to produce the implementation guidelines. These guidelines were not contractual, however, they informed the connectee of what is required from them when developing a contestable connection.
- 2.6 Following consultation and consideration of the responses, the implementation guidelines for contestability were published in March 2016⁶, followed by a second version of the guidelines released in May 2016⁷.
- 2.7 The guidelines paper contained information on contestability with regard to new transmission and distribution connections, although transmission contestability was not available at that time. The guidelines covered the initial phase of

⁶ https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/Contestability_Guidelines_-_Consultation_Report_and_Recommendations_2016-03-14.pdf

⁷ <http://www.soni.ltd.uk/site-files/library/Contestability-Guidelines-Version-2-2016-05-30.pdf>

contestability - new connections to the Distribution System with capacities of 5 MW and greater.

2.8 Transmission connections were made contestable from 1 September 2016⁸.

2.9 As of April 2018, contestability also applies to new connections with capacities less than 5 MW. NIE Networks and SONI published the latest set of guidelines reflecting this in March 2018⁹.

⁸ <http://www.soni.ltd.uk/media/SONI-Transmission-Connection-Charging-Methodology-Statement-Effective-1-Sept-2016-Approved-by-UR.pdf>

⁹ <https://www.nienetworks.co.uk/documents/connections/distribution-contestability-guidelines.aspx>

3 The Experience of Contestability in NI so far

3.1 Contestability serves to increase competition and provide customers in NI with a choice when it comes to connecting to the distribution and transmission system.

3.2 Figures provided by NIE Networks highlight some of the key statistics in facilitating contestability. For distribution connections greater than 5MW, since 2016;

- 5 offers have accepted to proceed with an ICP
- 7 offers have accepted to proceed with NIE Networks
- 4 Jobs with ICP Nominated
- 3 design reviews have commenced
- 0 customer complaints.

For distribution connections less than 5MW, since 2018;

- over 9500 dual offers have been issued to customers
- over 170 ICP connections have been energized and adopted
- 37 ICPs accredited to operate in NI (3 active)
- 287 design reviews accepted
- 408 design reviews complete
- 0 customer complaints

3.3 In 2019, the Utility Regulator, NIE Networks and an existing ICP based in NI began discussions in relation to the current state of contestability in NI. The successes of introducing contestability were highlighted by the ICP, demonstrating that 700+ connections had been quoted to customers to date, including 140+ connections completed, which had been adopted by NIE Networks.

3.4 However, the individual ICP above has highlighted concerns that from their experience it is unfeasible for a customer to use an ICP for low voltage connections, due to the additional cost in relation to carrying out the final connection to the existing LV network. The final connection is currently non contestable and therefore can only be carried out by NIE Networks. The ICP have

stated that making this final connection contestable is imperative to allow sustainability for competition within the connections industry in NI.

3.5 The Utility Regulator considers that a review to explore contestability in NI is now timely. The first non-contestable area in NI we will look at is the final connection at low voltage (LV), under 5 MW. The reason for this is;

- LV final connections have already been introduced in Great Britain (GB) as contestable, therefore we can learn from the experiences in GB to assist in our review of final LV connections in NI.
- LV final connections is an area specifically identified by an existing NI ICP which they would like to see become contestable in NI.
- The existing NI ICP has highlighted some potential benefits in making LV final connections contestable in NI including; providing consumers with more choice for LV final connections. They have also suggested opening up this area to be contestable could improve connection times for consumers while encouraging more ICPs to enter the NI market. Therefore, we feel this is an area of contestability to look at further, to explore these potential benefits.

4 The re-establishment of the Contestability Working Group and ongoing work

4.1 In February 2020 the CWG reconvened to look at potential changes to activities that are currently deemed contestable and non-contestable within the NI connections market. Involved in the discussions has been representatives from the Utility Regulator, SONI, NIE Networks, ICPs and Lloyds Register Group¹⁰.

4.2 As part of the Contestability Working Group, we are keen to learn from our colleagues experiences in GB from a contestability perspective and to further develop the contestable functions offered to new and existing connectees to the network.

4.3 GB are more advanced than NI in terms of the range of contestable works available that can be executed, these include;

- Design,
- Purchasing materials to form the connection

¹⁰ <https://www.uregni.gov.uk/contestability-working-group>

- Site preparation
- Trenching
- Construction of the connection
- Certain elements of reinforcement and diversion of our existing electricity network
- In some cases the final connection to the network

4.4 In NI we consider that there is likely to be merit in following GB's experience and expanding our scope of contestability. This paper is a call for evidence on considering what non-contestable elements of the connection process should now become contestable and available via ICP's.

4.5 As demonstrated previously, from the evidence received from our discussions to date, we are open to considering making more elements contestable, in particular opening up contestability for the final connections to low voltage distribution system for new connections. Although other elements could also be made contestable.

4.6 We have had very useful engagement with Lloyds Register Group in order to learn from our colleague's experiences of final connection contestability in GB and we aim to continue to communicate with Lloyd's while exploring the potential of expanding contestability in NI.

4.7 Although we have and will continue to take learnings from GB's experiences, we understand that the processes and procedures involved in expanding contestability will be different and unique to NI (including final connections for low voltage).

4.8 Some of the areas discussed amongst the CWG in relation to low voltage final connections in NI include:

- The likely safety implications
- Risks and liabilities
- How risks will be mitigated
- How proposed changes are open and transparent beyond CWG
- How changes can be accommodated without creating barriers to market entry

4.9 We intend to further develop the CWG allowing additional stakeholders to join the meetings to address the future of contestability in NI. There is also the opportunity for connection stakeholders to join forums in GB such as;

- NERS (National Electricity Registration Scheme)
- Provider and Advisory Panel
- NERSAP

These forums have been useful in promoting collaboration amongst Network Operators and ICPs and to talk about any ongoing issues and allow knowledge sharing of connections in GB.

5 Next Steps

5.1 The first stage of our process is to issue of a call for evidence. All call for evidence documentation must be received **by 5pm on 08/03/2021** for consideration.

5.2 We invite stakeholders to provide their views on the following questions:

- What is the nature of your company's business?
- Do you agree with further opening up contestability works for making low voltage final connections at distribution level contestable for new connections? Please provide rationale.
- Are there any other elements of connections that you feel should be made contestable? Please provide rationale. What timescales might be applicable in each case?
- What is your view on how successful contestability has been since it was introduced in NI in 2016? Is there anything that could have been improved?
- What do you see as the main benefits of further opening up contestability in new connections: A) to the consumer? B) to your company?
- What works should be deemed as non-contestable? Please provide rationale.
- What are the barriers to further opening up contestable connections?
- What is the current impact of not having more contestable works in the connections market?
- What problems could arise from the further opening of contestability?
- Do you have any other comments in relation to the proposal?

5.3 Responses should be emailed to Jody.OBoyle@uregni.gov.uk and Kenny.mcpartland@uregni.gov.uk.

5.4 As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain.

5.5 Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this and in

particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.