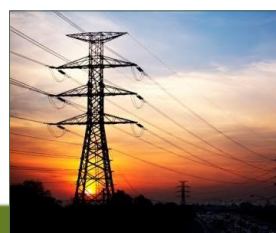


Consultation on the introduction of Contestability in Connections

2nd December 2014



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's 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 Northern Ireland 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 Northern Ireland 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

The Utility Regulator (The Authority) has identified contestability in connections as part of the forward work programme and has issued this consultation paper to further engage with stakeholders on how this should be introduced. The Authority will oversee the introduction of contestability and is establishing a Contestability Working Group to initiate the work.

This consultation paper includes consideration of the responses of the initial call for evidence issued on 9th September 2014 and feedback from the workshop held on 29th October 2014. A further workshop will be held on 28th January 2015 during the consultation period. The Authority welcomes feedback from all respondents.

Audience

All parties owning, connecting to, or providing connections to the electricity network in Northern Ireland.

The Authority would also welcome contributions from customers, customer representative bodies, financial institutes providing finance and other interested parties.

Consumer impact

The benefits of contestability may include but are not limited to:

- increased innovation;
- improved connection times;
- more efficient construction;
- better customer service to parties interested in connecting;
- achieving renewables target; and
- reduced financing/operating costs.

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Executive Summary

The electricity connections industry currently operates as a monopoly with Northern Ireland Electricity (NIE) responsible for providing all connection offers and construction of connections to their electricity network in Northern Ireland. As part of the Utility Regulator's (The Authority) forward work programme (FWP) 2014-2015¹ it is proposed to introduce contestability for new connections. The Authority seeks to promote a competition based regime where possible, in line with their duties.

This consultation discusses the existing connections industry in Northern Ireland, and how contestability has been introduced in other jurisdictions such as Great Britain and Republic of Ireland. When implementing contestability there are local factors for consideration which will be documented. These factors will have to be considered when deciding what is contestability should look like in Northern Ireland.

The Authority issued a call for evidence on 9th September 2014 and the responses have been summarised in this consultation. This allows the reader to understand some of the different perspectives of how contestability should be implemented and how stakeholders see contestability working in their relevant market segment.

A Contestability Working Group will be established to review the evidence that has been submitted so far and also to engage key stakeholders in bi-lateral meetings to further develop documentation required for the roll out of contestability.

The responses from the call for evidence have led to further questions in this consultation and these are summarised at the end. The Authority would ask that responses to these questions are submitted by Friday 27th February 2015. The responses will assist the Contestability Working Group in developing suitable documentation as well as allowing the Authority to develop their Next Steps Paper which is planned for June 2015.

¹ http://www.uregni.gov.uk/uploads/publications/FWP_201415_final.pdf

1.Introduction

1.1. Purpose of this paper

- 1.1.1. This consultation is part of the Authority's commitment to introduce contestability in connections in Northern Ireland. The aim of the consultation is to provide stakeholders with further information on the issues surrounding contestability and an opportunity to contribute to implementing contestability in Northern Ireland. The recent call for evidence² has concluded and this consultation will review and discuss the information that has been collated during this exercise.
- 1.1.2. The consultation will be open until 27th February 2015.
- 1.1.3. The Authority has a statutory duty to promote competition where practicable. As competition has been successfully introduced into the connections markets elsewhere, the Authority will seek to implement contestability in Northern Ireland. Introducing contestability has been identified on the Authority's forward work programme for 2014-2015.
- 1.1.4. The scope of this document includes a review of current practice and existing legislation. The paper will also discuss what has been implemented in Great Britain (GB) and Republic of Ireland (RoI). The information that has been collected during the recent call for evidence will be discussed highlighting key issues.
- 1.1.5. The Authority's intention is to set up the Contestability Working Group that will work in parallel to the consultation process to investigate the key issues and put resources in place to address these issues prior to the Authority's Next Steps paper being issued.
- 1.1.6. This paper is intends to gather opinion on what activities should be made contestable, and what activities should remain non-contestable.

1.2. Structure of Paper

- 1.2.1. Section 3 discusses the existing arrangement in Northern Ireland and how connections are made currently.

²

http://www.uregni.gov.uk/news/view/introducing_contestability_in_electricity_network_connections_call_for_evid/

- 1.2.2. Section 4 details the factors that need to be considered for the Northern Ireland model. There are legislative requirements in Northern Ireland which will have an impact on what activities can be made contestable.
- 1.2.3. Section 5 takes a look at how contestability has been introduced in other jurisdictions. This is useful as there are clearly developed policies and procedures in GB and RoI that could be developed for Northern Ireland if that either model is suitable.
- 1.2.4. Section 6 documents the findings in the recent Ofgem review into competition in connections highlighting some of the issues surrounding contestable connections. Taking this review into account will reduce the risk of falling into the same pitfalls as have been documented in GB.
- 1.2.5. Section 7 reviews the responses to the Authority's call for evidence that was issued on 9th September 2014. Reviewing the evidence submitted by stakeholders in this exercise will allow all stakeholders the opportunity to recognise other perspectives. The evidence submitted will create further questions that will be asked as part of this consultation.
- 1.2.6. Section 8 discusses the key policy and practical decisions that are required to be made to implement contestability in Northern Ireland.
- 1.2.7. Section 9 covers what governance arrangements will put in place to ensure that contestability is managed appropriately.
- 1.2.8. Section 10 highlights the next steps that will be taken in the Authority's plan to introduce contestability.

1.3. Responding to this consultation

- 1.3.1. The Authority welcomes responses to this consultation by **5pm on Friday 27th February 2015**. Responses should be sent to:

Ronan McKeown
Electricity Branch
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ER
ronan.mckeown@uregni.gov.uk

- 1.3.2. The Authority's preference would be for responses to be submitted by e-mail.
- 1.3.3. The Authority will seek to publish all responses to this consultation on the UREGNI website (where appropriate). If part of your response is confidential, it would be helpful if you could also submit a non-confidential version of your response redacting all confidential information.
- 1.3.4. As a public body and non-ministerial government department, the Authority 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. 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 Authority to treat responses as confidential, should specify why they consider the information in question should be treated as such.
- 1.3.5. This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Authority, which will be happy to assist.

2. Background

- 2.1.1. At present, new connections are made to the distribution network and transmission network for either the generation of electricity or new electricity demand.
- 2.1.2. Currently all connection offers are made by either the Transmission or Distribution Network Operator (TNO and DNO respectively). The TNO license is held by System Operator for Northern Ireland Ltd (SONI) and the DNO license is held by Northern Ireland Electricity Ltd (NIE). Their connection charging methodologies state the scope of connection services that they provide.
- 2.1.3. The Authority has identified that there may be an opportunity for competitors to carry out connection activities which would increase efficiencies within the connections industry. This would also offer choice to the customer applying for a new connection.
- 2.1.4. Activities that competitors can undertake are described as 'contestable' and those that can only be carried out by the TNO/DNO are referred to as 'non-contestable'. Some services may be considered non-contestable by the TNO/DNO for technical or safety reasons.
- 2.1.5. Contestability in connections has been established in RoI and GB. In RoI, contestability has been introduced for distribution connections³. In GB, competition in connections was introduced in the distribution network allowing Independent Connection Providers (ICPs) and licensed Independent Distribution Network Operators (IDNOs) to build LV and HV network offline, prior to connection⁴. The UK has also introduced Offshore Transmission Network Operator (OFTOs) who have been granted a transmission license for the offshore connection assets⁵. The current arrangements in RoI and GB are detailed in Sections 5.1 and 5.2 respectively.

³ <http://www.cer.ie/docs/000215/cer10056.pdf>

⁴ <https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/competition-connections>

⁵ <https://www.ofgem.gov.uk/electricity/transmission-networks/offshore-transmission>

3. Existing Arrangement

- 3.1.1. NIE currently has a monopoly of all connection activities on the distribution network. If a customer requires a demand connection or distributed generation connection, they are required to apply to NIE for their connection and NIE deliver the connection works.
- 3.1.2. Under the existing arrangement connection dates are managed by NIE.
- 3.1.3. NIE must abide by Condition 30 of the distribution licence⁶ when assessing connections to the distribution network. This requires NIE to make a connection offer within three months after receipt of an application.
- 3.1.4. SONI currently design and plan connection activities to the Transmission Network. NIE are responsible for delivering the connection works.
- 3.1.5. Cluster substations that are used for multiple generator connections are currently designed by SONI and built by NIE.

⁶ http://www.uregni.gov.uk/uploads/publications/NIE_Distribution_Licence_-_IME3_Modifications_-_effective_28_March_2014.pdf

4. Local Factors for consideration

- 4.1.1. There are legislative differences in Northern Ireland that will require consideration when deciding how contestability should be introduced in Northern Ireland.
- 4.1.2. Necessary (or compulsory) wayleaves and access rights are obtained by NIE under paragraphs 10-12 of Schedule 4 to the Electricity (Northern Ireland) Order 1992. For third parties to carry out these works contestably, legislation would have to be updated.
- 4.1.3. SONI is the transmission system operator and as such, is responsible for processing transmission connections. However, NIE are the asset owner and currently construct and adopt connection assets. SONI would be required to liaise with NIE to carry out non-contestable works for transmission connections.
- 4.1.4. Article 40 of The Electricity (Northern Ireland) Order 1992 applies to the construction of overhead lines which will require approval from DETI. Article 40 application forms may have to be reviewed if constructing overhead lines becomes a contestable activity.
- 4.1.5. Northern Ireland has different legislation in regards to roads and street works, and planning permission. Consideration of how this legislation is managed will be required for introduction of contestability in NI.
- 4.1.6. For works on the Crown Estate there are defined procedures that will have to be followed and these will have to be examined to understand how they could be affected by the introduction of contestability.

Q1. Are there any other factors in Northern Ireland not discussed in Section 4 that should be taken into consideration when implementing Contestability?

5. Other Jurisdictions

5.1. Republic of Ireland

5.1.1. On the 15th April 2010, the CER published their decision paper⁷ directing distribution connections to be made contestable.

5.1.2. ESB provides all final connections to newly built contestable assets and carry out final commissioning prior to energisation.

5.1.3. ESB adopt all contestable assets once connected and are responsible for maintenance and operations of contestable assets up to the agreed connection point.

5.1.4. The agreed contestable and non-contestable activities are shown in Table 1:

| Contestable | Non-Contestable |
|-------------------------------|--|
| Detailed Design | Determination of Connection Method |
| Route and Site Selection | System Reinforcement (if necessary) |
| Site Acquisition | System Protection, Communications and Metering |
| Planning Permission/Wayleaves | Any work requiring isolation from the system |
| Procurement | Work within live substations |
| Construction | Functional Specifications |
| Pre-Commissioning | Commissioning |
| | Maintenance |

Table 1 - Rol Contestability Framework

⁷ <http://www.cer.ie/docs/000215/cer10056.pdf>

5.2. Great Britain

- 5.2.1. In August 2002, Ofgem published a document entitled, “Competition in connections to electricity distribution systems – Final Proposals”.
- 5.2.2. Since this publication, the contestable activities that a third party can carry out have evolved.
- 5.2.3. In GB, there are established Independent Connection Providers (ICP) whom are allowed to build contestable assets and then hand them over to the local utility who adopt them as part of their network.
- 5.2.4. Competition in Connections also introduced Independent Distribution Network Operators (IDNO) whom build and own distribution network assets and are responsible for the operation and maintenance of these assets.
- 5.2.5. The UK has introduced live jointing at LV and in some cases allows ICPs/IDNOs to carry out the live jointing to the existing network.
- 5.2.6. ICPs/IDNOs carry out commissioning activities with the local DNO witnessing these activities.
- 5.2.7. Offshore assets in GB are built by the generators and Ofgem has introduced Offshore Transmission Operator (OFTO) licenses to operate and maintain these offshore assets.
- 5.2.8. To operate as an ICP/IDNO one must have accreditation from Lloyd’s National Electricity Registration Scheme (NERS)⁸.

⁸ <http://www.lloydsregister.co.uk/schemes/NERS/>

5.2.9. The agreed contestable and non-contestable activities are shown in Table 2 below:

| Contestable | Non-Contestable |
|--------------------------------------|------------------------------------|
| Detailed Design | Upstream reinforcement |
| Construction | Assessment of design |
| Installation of Services | Identifying point of connection |
| Commissioning | Design Approval |
| Acquisition of legal consents | Functional Specifications |
| Live LV jointing | Inspecting and monitoring ICP/IDNO |
| Final Connection to existing network | Witness Testing |
| Offshore assets built by generators | Maintenance |

Table 2 - GB Contestability Framework

Q2. From the models highlighted in RoI and GB (Section 5), which do you think would present the best option for NI and why?

6. Ofgem Review

6.1.1. Ofgem recently conducted a review into the Competition in Connections.

6.2. DNOs level of control

6.2.1. Each DNO has a different accreditation scheme for the same work which acted as a barrier to entry for third parties who want work between different DNO regions.

6.2.2. When the point of connection is on third party land, the DNO has different access rights to third party which makes it easier and quicker for them to complete the connection. This was a barrier to fair competition between the DNO and third party.

6.2.3. DNOs were found to be more rigorous when assessing whether a competitor's work was fit for purpose when compared to their own connections work.

6.3. Customer's Experience

6.3.1. It was found that a lack of awareness of third party connection supplier still remains.

6.3.2. Some customers are concerned about third parties carrying out contestable work with a perceived risk of higher costs and longer timescale compared to DNOs. It was highlighted that customers worried that DNO may slow down third party connections compared to their own.

6.3.3. The study found that DNOs re-issue quotes when an independent connection provider has been selected, causing delays and reducing competition.

6.4. Impact of Regulatory Regimes and requirements

6.4.1. Statutory Powers such as wayleaves, easements and road works can make it easier for DNO to win work than a third party.

6.4.2. Wider reinforcement work that is required as part of a connection is partly funded by customers when DNOs carry out work giving an advantage to them over third parties who have to pay full cost of reinforcement.

6.5. Transparency of Pricing

- 6.5.1. Quotes are sometimes difficult to understand because content is not always clear. Therefore it is difficult for the customer to compare the DNO quote with the ICP/IDNO quote for same work.

6.6. Competition not viable for certain connection types

- 6.6.1. Competitors said they could not compete with DNO on a smaller scale. Competition is more established where there are higher volumes and value of work.

Q3. From the issues highlighted in Ofgem's review (Section 6), are there any that cause a significant threat to contestability being successful in NI?

7. Response to Call for Evidence

- 7.1.1. The Authority received twelve responses (see Section 7.4.1 for details) to the call for evidence questionnaire that was issued on 9th September 2014.
- 7.1.2. The responses to each question of the call for evidence questionnaire will be discussed in this consultation paper.
- 7.1.3. Based on the evidence submitted further questions will be asked in this consultation to focus stakeholders on what appears to be the main issues to introducing contestability.

7.2. How would you define 'contestability'?

- 7.2.1. Responses to this question were similar, with most respondents stating that 'contestability' was the right of the connecting party to develop all or part of their own connection to the network.
- 7.2.2. NIE stated, "Activities that could be considered contestable include design, procurement and building of sole use assets."
- 7.2.3. SONI stated, "A contestable connection refers to any shallow connection to the transmission system which may be delivered by a party of the applicants choosing (including the applicant themselves) and which may or may not be the Transmission Owner (TO) i.e. where all of the required shallow connection assets can be built by an applicant in order to connect the applicant's facility to the existing transmission system and then handed over to the TO (for on-going ownership) and the TSO for on-going operation."

7.3. What do you see as the main benefits of introducing contestability in new connections: A) to the consumer? B) to your company?

- 7.3.1. The main benefits highlighted in the responses to A were:
 - Quicker delivery of renewable connections
 - More control over connection delivery
 - Reduced cost of connection
 - Better choice for customers

- Lowering SEM pool prices through timely delivery

7.3.2. The main benefits highlighted in the responses to B were:

- Greater certainty and control on project costs and timelines
- More efficient construction
- Reduced capital cost of connection for developer
- Option to compare connection costs with the network owner

7.4. What is the nature of your company's business?

7.4.1. The call for evidence received submissions from:

- NIE (Distribution Network Owner and Operator, Transmission Network Owner)
- SONI (Transmission System Operator)
- Lightsource Renewables (Solar Power Developer)
- Simple Power (Small Scale Renewables)
- Powercon (UK) Ltd (Developers, Consultants and Agents for all demand and DG connections)
- RBF (Wind Power Developer)
- SSE (Large Scale Renewables)
- RES (Development, construction, operation and ownership of large scale generation stations, renewable and non-renewable)
- NIRIG (Renewables Industry Group representing large scale and small scale renewables)
- ABO Wind (Plan, finance, construct and operate wind farms)
- Ulster Farmers Union (Representing small scale renewable generators)
- WindNI Ltd (Small Scale Renewables)

7.5. What is your role in making new connections to the electricity network...A) At present? B) In the future?

- 7.5.1. In response to this question, there were a variety of responses that included small scale and large scale renewable developers. Some of the developers are established in Northern Ireland and others are looking at the feasibility of building generation assets in Northern Ireland.
- 7.5.2. NIE highlighted their responsibility at present for quoting for connections to the distribution system and for constructing the physical connection. They also stated that SONI has the responsibility for quoting transmission connections, whilst NIE is responsible for transmission connection construction.
- 7.5.3. SONI stated that under Condition 25 of the Transmission System Operator Licence, it is a requirement to offer terms to connectees of the transmission system in Northern Ireland. SONI is responsible for defining the connection agreement and identifying the shallow and if necessary deep assets that are required to facilitate the connection. SONI is responsible for testing new generation connections to ensure that the site is capable of complying with the Grid Code.
- 7.5.4. SONI highlighted that in the future, “any framework should ensure that network assets are constructed to the specification and in the location that is most appropriate for the long term needs of the system, and the mechanisms which secure this public benefit must be carefully considered. To that end, the planning and development of the network should be clearly confirmed as being non-contestable”.

7.6. What past experience do you have in making new connections to the electricity network... A) in Northern Ireland? B) or elsewhere?

- 7.6.1. There was a variety of responses to this question which highlighted that contestability is important for those already applying for connections and entrants to the Northern Ireland market.

7.6.2. SONI stated that, “Since 2009, SONI is a member of the EirGrid Group along with EirGrid as TSO in Ireland and the Single Electricity Market Operator (SEMO). Through this arrangement SONI staffs have experience of delivering contestable and non-contestable transmission connection arrangements in Ireland. With experience in both jurisdictions SONI believe that contestable transmission connection arrangements would be an appropriate and progressive change to existing transmission connection arrangements in Northern Ireland providing benefits for the connecting parties and harmonising the commercial options for generators across both jurisdictions in the SEM”.

7.6.3. SSE stated, “SSE has delivered the only contestably built grid connection in NI to date at Slieve Kirk wind farm. SSE’s experience on this project showed that we were able to build the grid connection at a discount of some 38% to the cost of non-contestable delivery.”

7.7. What type of connections are you interested in?

7.7.1. Multiple parties stated that they are interested in transmission and distribution connections, some of the more specific responses included:

- 150kW to 250kW connection of single wind turbines
- Small Scale generation connections to distribution network.
- Demand and Distributed Generation Connections with a particular emphasis on solar (PV).
- Large scale onshore generation connections
- Onshore EHV connections suitable for large to medium renewable power stations and energy storage projects.
- Offshore transmission connections
- Microgeneration connections

7.8. Should contestability be applied to:

A) Transmission and distribution connections?

B) Onshore and offshore connections?

7.8.1. Nearly all respondents stated that contestability should be applied to both transmission and distribution connections, and also to both onshore and offshore connections.

7.8.2. RES stated that they would particularly welcome steps to progress the debate around contestability of connection construction works in the timeliest manner possible. RES considers that contestability in offshore transmission delivery is essential for the investment case for offshore renewables in Northern Ireland and needs to be prioritised as an area for timely progression.

7.8.3. NIRIG believes that establishing an a la carte menu of works that are open to contestability will deliver far greater flexibility and benefits than prioritising one particular technology or scale of project over another.

7.9. To what extent should different rules apply to Transmission Network Operators and Distribution System Operators?

7.9.1. The majority of the responses to the call for evidence stated that there should be a consistent approach across transmission and distribution connections.

7.9.2. It was highlighted that although the same principles should apply, that connections varying in technology may be simpler and therefore should have a reduced connection timeline.

7.10. To what extent should different rules apply to offshore connections and onshore connections?

7.10.1. The majority of the responses to the call for evidence stated that there should be a consistent approach across onshore and offshore connections.

7.10.2. The Ulster Farmer's Union stated that they would favour different rules in this case as the onshore market differs from offshore. The UFU also stated they would wish to see different rules for single turbines compared to wind farms.

7.11. What industry codes would require updating to facilitate contestable connections?

7.11.1. The documentation that has been highlighted in the call for evidence that requires updating is as follows:

- Transmission Grid Code
- Distribution Code

- New document on key principles, interface arrangements, dispute resolution process, boundary definitions, design reviews, construction, commissioning, operations and maintenance and asset transfer.
- Northern Ireland Planning Standards
- SONI Transmission Connection Charging Statement
- NIE Distribution Connection Statement of Charges
- Connection Agreements
- Transmission Use of System (TUoS) Agreements
- TSO licence
- Transmission Asset Owner (TAO) and Distribution licences
- Functional Specifications
- Standard form for connection offers
- New standard form for adoption agreements
- Transmission Interface Agreement
- NIE's 'System Security and Planning Standards (SSPS)
- NI ESQC Regulations

Q4. Is there any documentation that has been missed from the list detailed in 7.11.1?

7.12. What works should be deemed as non-contestable?

7.12.1. The majority of the responses in the call for evidence stated that any work related to the existing live Transmission and Distribution systems should be non-contestable.

7.12.2. Other areas that were discussed included:

- Definition of point of connection
- Design of point of connection
- Upstream reinforcement
- Making final connection to existing system
- System protection, metering and communication
- Handover and acceptance of contested assets
- Design approval

Q5. Are there any other non-contestable works that are not outlined in 7.12 that should be considered?

7.13. How should operations and maintenance be managed during the lifetime of a contestable asset?

7.13.1. The call for evidence responses reflected on current arrangements in GB and RoI, where ongoing liability of the contestable asset is transferred to the Network Owner (Maintenance) and Network Operator (Operations) as part of the asset transfer process, with built in safeguards to protect the Network Owner/Operator. This provides clarity and transparency to all interested parties and also a clear demarcation with regard to ongoing Health and Safety, and operational responsibilities. On handover of the contestable assets, the applicant would be required to pay an appropriate Operation and Maintenance fee.

Q6. Do you agree with the approach described in 7.13.1?

7.14. Should different degrees of contestability be introduced for each connection type?

- 7.14.1. There were varying responses to this question in the call for evidence. Some responses stated that contestability needs to be considered in the context of the voltage and type of grid asset to be delivered.
- 7.14.2. NIE suggested that it may be appropriate to consider some market segments more suited to contestability than others.
- 7.14.3. SONI believes that a consistent approach towards contestability should be taken.
- 7.14.4. NIRIG stated that, “In circumstances where the dedicated works do not form an integral part of the wider system, e.g. a dedicated tail feed wind farm connection with no demand customers, then the ownership of the assets should also be contestable”. ABO Wind and Lightsource Ltd also echoed this sentiment.

Q7. Should the connecting party be allowed to choose what contestable elements they wish to undertake?

7.15. What are the barriers to introducing contestable connections?

- 7.15.1. Most of the developer’s responses to this question highlighted the commitment of NIAUR, SONI and NIE and allocation of resources to deliver contestability in a timely manner. Sufficient resource is required to update existing documentation and provide new guidelines for contestable connections.
- 7.15.2. SONI highlighted that certain documentation could be potential barriers if not updated or taken into account, namely:
- The Electricity Order 1992
 - SONI’s Transmission System Operator Licence
 - NIE’s Transmission Licence

- NIE's Distribution Licence
- Generic Distribution Licence

7.15.3. Other than any specific legislative or regulatory requirements that could be potentially considered barriers, NIE does not perceive and other specific barriers. NIE stated, "Clarity is needed however on the rationale for what are defined as contestable activities, in each relevant market segment, and crucially on clear agreement and definition of interfaces in the processes between the DNO and connectees, and their agents. If contestability is introduced at transmission level, SONI's role in the connection process will need to be clarified."

7.16. What is the current impact of not having contestability in the connections market?

7.16.1. The main impacts for developers not having contestability are long timescales getting connected and increased cost of connection.

7.16.2. RES remarked that the key impact is investor confidence. The key challenge for developers is to secure timely and economic connections, and without contestability, Northern Ireland is not as attractive an investment opportunity as it could be.

7.17. What is your view of best practice in regard to contestable connections?

7.17.1. There was a mixture of responses stating to either adopt the GB model or the Rol model as they have already been developed.

7.17.2. SONI strongly believes that any contestability policy that is introduced to Northern Ireland must also include implementation guidelines so that the policy can be efficiently adopted and put into practice. This means that all parties involved would have a full understanding of how contestability should work when entering into the connection process. When contestability was first introduced in Ireland there were no guidelines resulting in difficulties when implementing the policy.

7.17.3. SONI also stated, "best practice with regards to contestable connections would be that the contestable assets must be constructed and delivered to industry ratings and standards so that the contestable assets are acceptable to NIE as TO and SONI as TSO and that the transfer can occur as seamlessly as possible".

7.18. What type of arrangements would achieve the right balance between contestable and non-contestable works?

7.18.1. SONI responded, "SONI views contestability as a concept which is primarily focused on providing the opportunity for increased efficiencies to customers seeking to connect to the transmission system. Therefore contestability should be limited to the works required to enable the export of generation or the import of demand to the transmission system, i.e. "Connection Assets" or "Shallow Assets". However, the contestable works should only cover new assets and not the reinforcement or replacement of existing assets."

7.18.2. Other respondents stated that arrangements should be similar to those already established in GB and Rol.

7.19. What problems could arise from the introduction of contestability?

7.19.1. A common issue that has been highlighted in the call for evidence is the importance of having clear functional specifications which allow the developer flexibility in procuring equipment. There is a requirement for the specifications to be updated so they can be used for contestable assets and these updates should happen before the implementation of contestability. Developers require specifications that will allow procurement of equipment without the risk of the asset owner refusing to accept ownership.

7.19.2. The transmission and distribution specifications should be aligned in such a way that there is no risk for design issues at the interface.

7.19.3. Clear procedures and boundaries need to be defined to control the operational and safety risks of building contestable connections.

7.19.4. NIE highlighted that they are required by their licence to develop the network efficiently and decisions such as routing would have to take into consideration future plans.

7.19.5. The delivery of contestable connections requires defined timelines from NIE around their involvement with the non-contestable elements.

7.19.6. SONI provided an extensive response to this question which will be covered in Section 8.

7.20. How much of a factor is the cost/timing of a new connection in regards to setting up a business/generator?

7.20.1. The responses to this questions showed that the cost and timing are the two most critical elements in regards to setting up a business or generator. Introducing contestability will allow the developer to have increased control the risks.

8. Key decisions for consideration

8.1. Policy Considerations

- 8.1.1. The approach whereby a customer can contest some activities and not others requires consideration. There may be value in third parties carrying out a subset of the wholly agreed contestable activities and the contestability guidelines would have to consider how this was managed.
- 8.1.2. Implementing contestability will require clearly defined guidelines on the elements of a connection that are contestable to avoid any ambiguity during the connection offer process.
- 8.1.3. When developing the guidelines for contestability, it is important that third parties take on the full scope of any individual contestable element that they are interested in. This will ensure there are no gaps in the construction component.
- 8.1.4. The terms "shallow" and "deep" need to be clearly defined. Their relationship with the terms "Connection Assets" and "System Assets" needs to be clearly explained as part of the contestability guidelines.
- 8.1.5. If contestability is introduced to Northern Ireland there is the potential for cross jurisdictional contestability. The contestability guidelines for Northern Ireland should provide for cross-border connection arrangements to mitigate the need to revisit the issue when it eventually arises.
- 8.1.6. If shared connection assets are to be built contestably, there must be agreement between all parties involved. The contestability guidelines would have to consider how the risks of building a shared asset are managed.
- 8.1.7. The contestability guidelines would need to provide clarity around items such as:
 - Contestable activities
 - Roles and responsibilities of interacting parties (lead developer, subgroup members, SONI and NIE)
 - Liability
 - Insurance
 - Warranties
 - Transfer of ownership of contestably built assets

Q8. Are there any further policy considerations that have not been considered in 8.1?

8.2. Practical Considerations

- 8.2.1. The network owner will be required to publish functional specifications for elements of the connection that are deemed to be contestable. If functional specifications of the contestable elements do not contain a sufficient level of detail this can give rise to ambiguities and therefore delay the build of the contested portion of the connection.
- 8.2.2. It may take some time for functional specifications to be developed into a format suitable for assets to be contested therefore a plan for the review and development of functional specifications will be established in parallel with this consultation.
- 8.2.3. The level of design review and witnessing required for building and testing new connection assets needs to be considered when developing the guidelines.
- 8.2.4. Consideration should be given to the level of supervision, specifications and applicable standards and ratings that would apply to contestably built assets that would remain in the customer's ownership and not become part of either the transmission or distribution system.
- 8.2.5. The safety aspects of the design, build and handover of contestable assets needs to be considered.
- 8.2.6. The contestability guidelines should detail the review and approval processes required at various stages throughout the design and build of the contested assets, so that any problems can be addressed during the process rather than when it is time for the contested assets to be handed over.
- 8.2.7. The contestability guidelines will be required to define clear boundaries between contestable and non-contestable works.
- 8.2.8. When deciding what activities should be contestable, practical implementation of interfacing protection and communication schemes should be taken into account.

8.2.9. On implementation of contestability guidelines in Northern Ireland there may be a number of customers already with non-contestable connection offers at various stages of development that would like to modify their offer to be a contestable one. It is worth considering whether there is a stage in the connection development process where a modification request like this should not be permitted.

Q9. Are there any further practical considerations that have not been considered in 8.2?

9. Contestability Working Group

- 9.1.1. A Contestability Working Group (CWG) will be established to commence work on the contestability guidelines and documentation that requires updating to allow the practical implementation of contestability in Northern Ireland.
- 9.1.2. The CWG will meet on a monthly basis to discuss the issues currently preventing contestability being introduced, and assign actions to members to manage these issues.
- 9.1.3. The CWG will cover three different work-streams:
- Technical – Covering technical issues including specification updates, accreditation and applicable standards.
 - Communication/Process – This will involve the Authority, network owners/operators and others stakeholders covering topics such as safety/ risk management and procedures required.
 - Stakeholder Engagement – Ensuring that stakeholders are involved in contestability guideline development, consultation and investigation into the legislation restrictions surrounding roads/wayleaves.

10. Next steps

10.1.1. The Authority will announce the membership of the CWG in December 2014 who will convene in January 2015. Subsequently, the CWG will meet every month. The CWG will look at some of the issues highlighted in the call for evidence/consultation, and initiate work to address these issues.

10.1.2. The Authority will announce details of a second workshop planned for January 2015 to get further stakeholder engagement on contestability in Northern Ireland.

10.1.3. The consultation will close at the end of February 2015. The proposed next steps paper will be issued by the end of April 2014, and the next steps paper issued by end of June 2014.

10.2. Timetable

| Activity | Description | Timing |
|---------------------------|--|--------------------------------|
| Information Review | <ul style="list-style-type: none"> • Bi-lateral meetings with stakeholders and Network Operator | Ongoing |
| | <ul style="list-style-type: none"> • Announce Contestability Working Group | December 2015 |
| | <ul style="list-style-type: none"> • Publish UR Contestability webpage | December 2015 |
| Consultation | <ul style="list-style-type: none"> • Publish evidence | December 2015 |
| | <ul style="list-style-type: none"> • Issue Consultation paper | 2 nd December 2014 |
| | <ul style="list-style-type: none"> • Further stakeholder workshop | 28 th January 2015 |
| | <ul style="list-style-type: none"> • Receive responses to consultation | 27 th February 2015 |
| | <ul style="list-style-type: none"> • Proposed Next Steps paper | 17 th March 2015 |
| | <ul style="list-style-type: none"> • Final responses from stakeholders | 15 th May 2015 |
| Conclusion | <ul style="list-style-type: none"> • Next Steps Paper published | 26 th June 2015 |

10.2.1. The timetable shows the works to be delivered by the Authority. NIE and SONI will be engaged in parallel to assist in developing guidelines and ensuring that their specifications are ready to be used when the Next Steps paper is published.

10.2.2. The next steps paper will publish the model for contestability to be implemented in Northern Ireland

10.3. Summary of Questions

10.3.1. Below is a summary of the questions asked throughout this consultation paper:

Q1. Are there any other factors in Northern Ireland not discussed in Section 4 that should be taken into consideration when implementing Contestability?

Q2. From the models highlighted in RoI and GB (Section 5), which do you think would present the best option for NI and why?

Q3. From the issues highlighted in Ofgem's review (Section 6), are there any that cause a significant threat to contestability being successful in NI?

Q4. Is there any documentation that has been missed from the list detailed in 7.11.1?

Q5. Are there any other non-contestable works that are not outlined in 7.12 that should be considered?

Q6. Do you agree with the approach described in 7.13.1?

Q7. Should the connecting party be allowed to choose what contestable elements they wish to undertake?

Q8. Are there any further policy considerations that have not been considered in 8.1?

Q9. Are there any further practical considerations that have not been considered in 8.2?