Contestability in Connections

Decision Paper

31st July 2015



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 (UR) has identified the introduction of contestability in connections to the electricity network as part of the forward work programme. A call for evidence was issued on 9th September 2014 to initially engage with stakeholders. A consultation paper was issued on 2nd December 2014 and responses received in February 2015. The proposed next steps paper was issued on 11th May 2015 and responses received in June 2015. This Decision Paper reviews the responses to the proposed Next Steps paper and provides the UR's position.

Audience

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

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.

Contents page

Executive Summary

The delivery of electricity connections currently operates as a monopoly with Northern Ireland Electricity (NIE) responsible for construction of connections to their electricity network in Northern Ireland. All parties wishing to connect must receive an offer from either NIE for connection to the distribution network or SONI for connection to the transmission network. As part of the UR's forward work programme (FWP) 2014-2015[1] it is proposed to introduce contestability for new connections. The UR seeks to promote a competition based regime where possible, in line with their duties.

The UR issued a proposed next steps paper on 11th May 2015 and the responses have been summarised in this decision paper. The responses to the proposed next steps paper have been considered by the UR and our position on each issue is provided in this decision paper.

The paper looks at what actions NIE and SONI must undertake to implement contestability whilst complying with their revised licence obligations. The UR will be responsible for consulting and developing licence modifications for both NIE and SONI to ensure they have an obligation to provide for contestable connections.

The UR will have an ongoing responsibility to review the impact of contestability in Northern Ireland and make changes to the proposed arrangements if necessary to promote competition.

The paper is supplemented by Annexes provided by both NIE and SONI displaying their proposed timelines for the effective introduction of contestability to transmission and distribution connections. These timelines are indicative and the UR will work with NIE, SONI and other stakeholders to ensure contestability is delivered as soon as is practical.

We have asked SONI and NIE to publish draft implementation guidelines in August 2015 for consultation. Following consultation, the UR would expect NIE and SONI to present a recommendation report to the UR on these guidelines.

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

1 Introduction

1.1 Purpose of this paper

1.1.1 On 2nd December 2014 the UR published its consultation on the introduction of Contestability in Connections[2]. The consultation closed on 27th February 2015 and a total of 11 formal responses were received. Responses have now been published on our web site[3].

1.1.2 The purpose of the consultation paper was to identify the best fit for contestability in Northern Ireland. A number of issues surround the implementation of contestability and views were sought to address these issues.

1.1.3 On 11th May 2015, we published our Proposed Next Steps Paper[4] for consultation. We received 11 formal responses which have now been published on our web site. The respondents were as follows:

- Scottish and Southern Energy (SSE)
- Energia
- System Operator for Northern Ireland (SONI)
- Northern Ireland Electricity (NIE)
- Northern Ireland Renewables Industry Group (NIRIG)
- Lightsource
- RES
- Telestructure International
- Simple Power
- Powercon
- Ulster Farmers Union (UFU)

1.1.4 This paper provides detail on the responses received and our decision on each of the issues raised. The response from Energia stated their full support to the response from NIRIG.

1.1.5 The issues that were considered appropriate to discuss in this paper are:

- Connection Type
- Scope of Contestability
- Operations and Maintenance
- Accreditation
- Documentation
- Other Issues

[2] http://www.uregni.gov.uk/uploads/publications/Contestability_in_Connections-Final.pdf
[3] http://www.uregni.gov.uk/electricity/contestability_working_group/
[4] http://www.uregni.gov.uk/uploads/publications/UR_Next_Steps_Paper-_Contestability_in_Connections.pdf

- UR next steps

1.2 Structure of this paper

1.2.1 The paper will be made up for the following sections:

Section 3 discusses how contestability will be applied for different connection types.

Section 4 reviews the scope of contestability and defines the activities that we recommend to be contestable and non-contestable.

Section 5 takes a look at how operations and maintenance would be applied to contestable assets.

Section 6 reviews the different models in GB and RoI and focuses on whether accreditation should be employed as part of the contestability model for Northern Ireland.

Section 7 looks at what documentation is required to be developed to implement contestability and provide guidance to developers as to how to comply with NIE and SONI standards.

Section 8 covers other issues that were raised in the responses to the consultation.

Section 9 sets out the proposed timelines for implementation as set out by NIE and SONI.

Section 10 details the next steps required to be carried out by the UR to establish contestability.

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 System Operator or Distribution Network Operator (TSO and DNO respectively). The TSO 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 We have identified that there may be an opportunity for third parties to carry out the delivery of certain connection activities which could increase efficiencies within the connections industry. This would offer choice to the customer for connection delivery.

2.1.4 Activities that competitors can undertake are described as 'contestable' and those that can only be carried out by the TSO/DNO are referred to as 'non-contestable'. Some services may be considered non-contestable by the TSO/DNO for technical or safety reasons.

2.1.5 Contestability in connections has been established in Republic of Ireland (ROI) and Great Britain (GB). In ROI, contestability has been introduced for transmission[5] and distribution[6] generation connections. 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 connection[7]. GB has also introduced Offshore Transmission Network Operator (OFTOs) who have been granted a transmission license for the offshore connection assets[8].

[5] http://www.eirgrid.com/media/Contestability%20paper%20Oct%202007.pdf
[6] http://www.cer.ie/docs/000215/cer10056.pdf
[7] https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/competition-connections
[8] https://www.ofgem.gov.uk/electricity/transmission-networks/offshore-transmission

3 Connection Type

3.1 Responses

3.1.1 In the call for evidence[9] issued on 9th September 2014 we asked whether contestability should be applied to Transmission and Distribution connections and also whether contestability should be applied to inshore and offshore connections. The responses received indicated that contestability should be open to all connection types.

Simple Power

3.1.2 Simple Power stated in their response to the proposed Next Steps paper that they believe there is a strong case for a staged approach to implementation for Small Scale Generation.

NIRIG

3.1.3 NIRIG agreed that there should be no discrimination, however the proposed approach did not allow for a phased approach by which certain elements could be introduced first.

3.2 Decisions

3.2.1 Based on the call for evidence, responses to the consultation and proposed next steps paper, we would seek to implement contestability guidelines that are consistent across all connection types to ensure there is no discrimination. However, to expedite the delivery of contestability we will work with NIE and SONI to examine how a phased approach may be implemented. We are aware of the challenges that NIE and SONI face in adopting contestability procedures for all connection types and the systems required to administrate contestable quotations.

3.2.2 We will review the uptake of contestability across all markets and make changes to proposed arrangements where necessary to ensure a competitive electricity connections market.

[9] http://www.uregni.gov.uk/uploads/publications/Contestability_in_Connections.pdf

4 Scope of Contestability

4.1 Responses

NIE

4.1.1 NIE fully supports the definition of contestable and non-contestable works. However, contestable construction should only apply to the construction of new network assets.

SONI

4.1.2 SONI are in general agreement with the contestable and non-contestable activities listed in Section 4.2 of the Proposed Next Steps Paper and consider it important for SONI and NIE to work together to clearly define the contestable and non-contestable activities listed in a Contestability Implementation Guidelines paper to remove any ambiguity. SONI highlighted that the term functional specification is used in other contexts and sought clarification/definition of the term.

UFU

4.1.3 The Ulster Farmers Union (UFU) stated that they *"would have wished to see that the process of making the final connection to the existing system has not been deemed to be contestable".*

Lightsource

4.1.4 Lightsource stated in their response that commissioning of contestable assets should be contestable works.

4.1.5 Lightsource agree that an easier transition to contestability would be to adopt the ROI contestability template as it is well established and proven. The UK template is more advanced and the main difference being the restriction of contestable works to ICP's. Lightsource believe this will take longer to implement. However the TSO's and DNO's in the UK and ROI already have approved functional specifications for connection assets, therefore these should be adopted as opposed to re-inventing the wheel.

Simple Power

4.1.6 Simple Power strongly disagrees with the statement in 4.2.5[10] of the proposed next steps paper particularly the suggestion that this approach allows for quicker implementation.

[10] *"we consider that the guidelines for all connections are the same for all connection types. This would mean that the implementation of contestability will have a clear boundary with the developer having to take on all contestable activities from the point of connection or none. This allows for a quicker implementation without discrimination and reduces the risk of confusion of what each party's responsibilities are."*

NIRIG

4.1.7 NIRIG stated in their response that the list of activities covers all the necessary activities, although we continue to recommend that additional contestable works such as final connection should remain as 'second tier' possibilities for contestability. We have major concerns regarding the definition of point of connection and, in turn, the 'all or nothing' stance from that point. Point of connection is currently defined as an existing point on the existing network. As final connection to the network is excluded from the scope, this precluded any connection to an existing overhead structure unless an initial terminal point is constructed adjacent to the existing network leaving a short span for construction by the network operator. This does not support optimum design.

SSE

4.1.8 SSE is generally supportive of the UR's proposed scope of contestability. However the lack of any reference to the inclusion of cluster substations and construction of shared assets within the scope of contestability is a specific concern; particularly as the consultation rules that upstream reinforcement is out of scope.

RES

4.1.9 RES agrees with the suggested split of contestable and non-contestable activities, but would note that there needs to be a common sense approach to commissioning versus pre-commissioning. RES believes it is in the interests of efficient, timely project delivery and development of new resources, to maximise the extent of the pre-commissioning activities within the contestable works.

Telestructure International

4.1.10 Telestructure International believes that work inside existing substations should be allowed under an accreditation scheme similar to which NIE would have in place for their existing contractors. It is not deemed competitive to treat a contractor in one way and an ICP in another way. This issue has recently been addressed to the GB DNO by Ofgem as anti-competitive and obstructive.

4.2 Decisions

4.2.1 Based on the responses to the proposed next steps paper we recommend that the activities below are initially considered non-contestable in Northern Ireland subject to further review once contestability has been established:

- 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
- Commissioning
- Functional Specifications
- Determination of Ownership Boundary
- Inspection and Monitoring
- Work within existing live substations

4.2.2 The activities that would be deemed to be contestable would therefore include:

- Detailed Design
- Route and Site Selection
- Site Acquisition
- Planning Permission/Wayleaves
- Procurement
- Construction
- Pre-commissioning

4.2.3 The guidelines which will be developed by NIE and SONI on contestability will clearly define the contestable and non-contestable activities as set out in this decision to remove any ambiguity.

4.2.4 We do not consider final connection to the existing system to be contestable at this time due to health and safety concerns. However, this will be kept under review by the UR when contestability has been implemented.

4.2.5 We consider that the guidelines for all connections are the same for all connection types. This would mean that the implementation of contestability will have a clear boundary with the developer having to take on all contestable activities from the point of connection as defined by SONI and NIE, or none.

4.2.6 It will be the responsibility of NIE and SONI to define the point of connection to the existing system. The contestability implementation guidelines will show worked examples of contestable connections at Transmission and Distribution.

4.2.7 NIE have responded to the point made in 4.1.7 stating that a terminal pole would not need to be constructed as in practice they temporary stay the conductors in the ground subject to landowner permission until ready to make final connection.

4.2.8 The contestable construction of a cluster substation will be addressed in Section 8 of this paper.

4.2.9 NIE and SONI are required to define within their guidelines what the

appropriate levels of inspection and monitoring will be for contestable assets.

4.2.10 NIE and SONI shall review and publish their functional specifications and approved equipment registers for third party use.

4.2.11 Work within existing live substations will be non-contestable for the introduction of contestability. However, we will keep this item under review.

5 Operations and Maintenance

5.1 Responses

NIE

5.1.1 NIE supports the need for operations and maintenance (O&M) charges to be developed so as to apply to connection assets provided by NIE and those to be provided by the developer. NIE will need to develop a financial model to support pricing for operations and maintenance of contestable assets.

SONI

5.1.2 Paragraph 5.2.1 of the proposed next steps paper explains that the O&M costs for a contested connection will be based on the O&M costs of the non-contested connection quote. SONI considers that this is an appropriate way to levy a charge for ongoing operation and maintenance.

SSE

5.1.3 SSE supports the use of standard costs to set the charges for O&M for connection assets transferred to NIE, where these have been delivered contestably. However the design of such assets may differ materially from the non-contestable delivery option proposed by NIE; for example undergrounding a connection rather than OHL. Therefore, while O&M should be based on standard costs, these should be the standard costs for the assets as delivered; e.g. £/km of overhead line & £/year for transformer type rather than being based on NIE's original design.

RES

5.1.4 RES notes that clear guidelines are proposed in Section 4 of the proposed next steps paper for contestability to apply from the point of connection, whereas in Section 5.2.2, it is proposed that NIE and SONI are to determine ownership boundaries. RES would be keen to understand likely ownership boundaries and how they would interact with contestability.

5.2 Decisions

5.2.1 We have reviewed the current charging methodology for transmission and distribution and would seek to continue with the current arrangements for charging for operations and maintenance. NIE and SONI would develop a cost for operations and maintenance for their quote for all of the work required. This

cost will be transferred to the quote required for a contestable quote so the operations and maintenance quote for both quotes will be the same.

5.2.2 NIE and SONI will be allowed to modify the O&M charge in line with the constructed assets if the contestable design deviates significantly from their Least Cost Technically Acceptable (LCTA) design.

5.2.3 NIE and SONI will establish the ownership boundary and upon completion of contestable works, any connection assets within this boundary shall be transferred to the network owner/operator to operate and maintain for the lifetime of the asset.

5.2.4 NIE and SONI will be required to update their connection charging methodologies to include operations and maintenance charges on contestable assets.

6 Accreditation

6.1 Responses

NIE

6.1.1 NIE supports the need for an independent accreditation process to ensure compliance with its licence and wider legal obligations and will engage Lloyds regarding the National Electricity Registration Scheme (NERS) to assess whether this existing scheme meets requirements. NIE will liaise with SONI to progress the accreditation arrangements required to support the NI market.

SONI

6.1.2 SONI understands the concept of accreditation but still questions whether such a scheme is necessary for the successful implementation of contestability in transmission connections in Northern Ireland. SONI would echo Northern Ireland Renewables Industry Group's (NIRIG) sentiments that any accreditation scheme should not unduly delay the effective introduction of contestability in connections.

UFU

6.1.3 Whilst the UFU did indicate that they were in favour of the GB model, they also stated that their response on the 26th February 2015 should not be taken as a clear endorsement of the need for blanket roll out of accreditation. The UFU wish to make it clear that whichever format of accreditation is chosen, it must not hinder the roll out of contestability. The UFU would have concerns about the limiting nature of NIE and SONI and only considering the Lloyds Register. In addition, accreditation should not be applicable to all developers and a derogation could be applied dependent upon scale and capacity.

Powercon

6.1.4 With regard to the accreditation process (Section 6 of proposed Next Steps Paper) Powercon would request that both NIE and SONI be requested to communicate their intentions with regard to their respective accreditation requirements to all interested bodies such that prospective Independent Connection Providers (ICP's) can make their own arrangements to engage with Lloyds (or whoever) and at the earliest opportunity.

Lightsource

6.1.5 Lightsource agree with NIRIG's response regarding Accreditation, this should not present a barrier to the market or delay the implementation of contestability. The ROI model is well governed and tested, if accreditation is introduced this should be at a later phase. Lightsource agree with SONI regarding assessing the benefits and costs of accreditation.

NIRIG

6.1.6 The paper advocates adherence to the GB model using the Lloyds register. NIRIG generally agree that some nature of accreditation would be useful, particularly for small-scale connections. For larger connections, there is normally a major contract in place for Electrical Balance of Plant (EBOP) which has been drawn up utilising the Achilles system. This is a European standard and predominately the contractors appointed are industry standard infrastructure providers. This is applicable both in the North and the South of Ireland. Recognition of Achilles as well as Lloyds would be more practical way forward. With the links between SONI/EirGrid and NIE/ESB it would benefit from a more coordinated approach across jurisdictions. We therefore recommend that additional forms of accreditation be assessed and utilised to avoid scenarios where the pool of available connection providers is restricted. We also reiterate that any accreditation scheme, if required, should not unduly delay the effective introduction of contestability.

SSE

6.1.7 SSE is particularly concerned at the UR's proposal to introduce an ICP accreditation requirement similar to that for GB distribution connections. Contestable delivery of connection assets has been extremely successful in Republic of Ireland (ROI) without this requirement and given the scale of the NI market, the all Island wholesale market and synergies between NI and ROI, SSE believes it is more appropriate for the UR to adopt a model similar to that operating in ROI. Accreditation has turned out to be the most controversial aspect of the proposed contestability framework for Northern Ireland. With experience as a registered ICP in GB and developer of major transmission and distribution connection infrastructure across the island of Ireland, SSE believes that contestable asset delivery is an area in which a one-size-fits-all approach would be particularly inappropriate and blur the issue of contractual liability for delivery of assets that are fit for purpose; i.e. compliant with the contestability agreement between the developer and DNO/TSO.

RES

6.1.8 RES supports the principle of accredited connection providers and agrees with earlier responses that any scheme should not slow down initial implementation of contestability or be overly burdensome to potential connection providers. The Lloyds NERS scheme in GB currently has 211 registered organisations of varying sizes and abilities. The scheme does not appear to have stifled the development of entrants into the GB market.

6.2 Decisions

6.2.1 NIE and SONI will be required to satisfy themselves that contestable work will be carried out to their specifications and standards whilst abiding by the legislation in Northern Ireland. Therefore, we consider accreditation is appropriate to ensure compliance and reduce the risks to the developer, NIE

and SONI.

6.2.2 We recommend that NIE and SONI decide what accreditation is required to assure themselves that the developer has appropriate level of knowledge to meet their standards.

7 Documentation

7.1 Responses

NIE

7.1.1 NIE will update its specifications and policy documentation to prepare for publication on NIE's website, as described in 7.2.1 and 7.2.3 of proposed next steps paper.

SSE

7.1.2 Based on the company's experience in development and expansion of its Slieve Kirk windpark, SSE is convinced that existing NI legislation fully supports contestable delivery of electrical infrastructure, with the exception of the clarification required to arrangements for recharging the cost of shared assets. At no stage in the development of this connection was any requirement for an ICP discussed, in recognition of SSE's expertise in delivering this type of project. A clear indication should be given that the use of registered ICPs will be a developer's choice rather than an obligation.

7.1.3 Apart from the specifics of NIE's functional specifications, SSE believes that SONI/Eirgrid and ESB/NIE have defined and documented all requirements and processes necessary for the introduction and operation of contestability in NI. Basic functional specifications should be developed to start with and the rest produced as they are required for projects as they come along.

7.2 Decisions

7.2.1 NIE and SONI have provided a timeline for implementation. We recommend that NIE and SONI review their existing documentation and develop new guidelines for contestability. We have asked SONI and NIE to publish draft implementation guidelines in August 2015 for consultation. We will also publish a link to these guidelines on our website.

7.2.2 We recommend that the Contestability Working Group work with NIE and SONI to develop guidelines for contestable connections, using existing templates where practical. These guidelines will provide clarity around:

- Contestable activities as detailed in this paper
- Roles and Responsibilities of interacting parties
- Functional Specifications

and the processes associated with:

- Liability
- Insurance
- Warranties
- Transfer of Ownership of contestably built assets

7.2.3 We recommend that NIE and SONI provide all relevant documentation required by a connection applicant on their respective websites so that the application process is transparent.

8 Other Issues

8.1 Responses

Lightsource

8.1.1 Lightsource agree there should be transparency regarding Connection Costs. In ROI the CER has published standard connection charges which enable developers to plan projects, and make informed decisions on financial risk.

SSE

8.1.2 SSE supports the UR's proposal that NIE/SONI should provide quotations in a standard format that developers can use to obtain alternative quotations for their connection.

8.1.3 SSE stated that the operation of contestability in relation to shared assets, such as cluster substations, must be defined as a matter of urgency.

NIE

8.1.4 With reference to paragraph 8.2.1 of the proposed next steps paper relating to clusters NIE is of the view that if the construction of shared assets is to be contestable this will present significant challenges for the cluster principle.

SONI

8.1.5 If cluster delivery is to be contestable then SONI does not consider that the present cluster methodology and principles can remain unchanged. SONI believes there are important issues to be resolved in relation to delivering cluster infrastructure contestably.

8.2 Decisions

8.2.1 We recommend SONI and NIE update their charging methodology to factor in the on-cost addition for managing contestable connections.

8.2.2 We recommend that SONI and NIE engage with the Contestability Working Group to ensure that quotes for non-contestable and contestable works are transparent and can be compared by the applicant.

8.2.3 Based on the responses regarding cluster substations, we have discussed contestable development further within the Contestability Working Group.

These discussions have led to the following decisions:

- Cluster infrastructure cannot be contested if there is a contribution required from the Northern Ireland Customer base.
- All pre-construction work for cluster infrastructure shall be non-contestable to ensure future system requirements are considered.
- All contestable construction work for cluster infrastructure can be contested but there is no contribution from the NI customer base. A lead developer shall be appointed by the group of cluster applicants and they shall take responsibility for the construction of the cluster infrastructure. All cluster applicants shall be in agreement for this option to be considered.
- All applicants may have the option to construct their unique connection assets contestably from the designated point of connection subject to the general arrangements concerning those assets which are contestable/ non contestable.

9 Timelines for Implementation

9.1 SONI timeline

9.1.1 Annex 1 of the proposed Next Steps paper contained SONI's implementation timeline which is show in Figure 1 below:

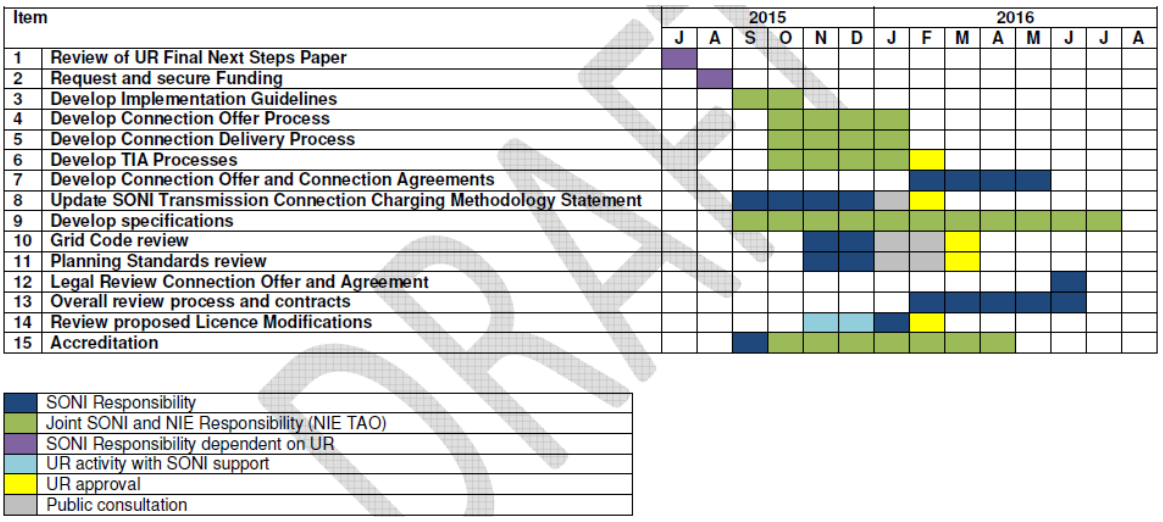

Figure 1 - SONI Workplan timeline

9.2 NIE timeline

9.2.1 Annex 2 of the proposed Next Steps paper contained NIE's implementation timeline which is show in Figure 2 below:

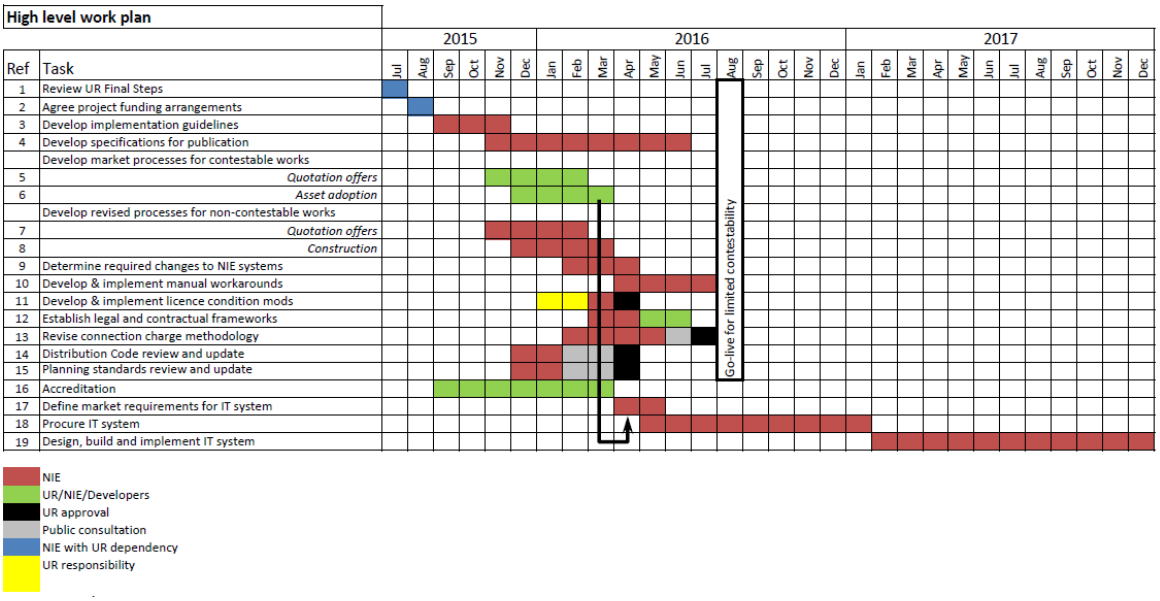

Figure 2 - NIE workplan timeline

9.3 Responses

NIE

9.3.1 NIE has concluded that a phased approach provides the most pragmatic solution.

SONI

9.3.2 SONI has identified the following key risks in the implementation of contestability:

1. Licence modifications being in place directing SONI and NIE to offer contestable connections before key work streams identified in the SONI and NIE preliminary work plans are completed and/or approved.

2. Transmission and distribution processes for large scale generation connections not being aligned or consistent could create difficulties in implementations particularly in the case of a connection asset being shared between a distribution and transmission connection or with cluster connections. SONI believe a robust rebating policy is required to make this work.

3. No process to permit the delivery of cluster infrastructure contestably. The cluster delivery is a shared SONI, NIE and Utility Regulator responsibility so it is very important that this is addressed.

Simple Power

9.3.3 Simple Power responded that with the restricted scope we have suggested as a first phase, the NIE timeline could be reduced substantially. If this restricted scope approach were adopted, NIE should be given a target of first phase implementation by the end of this calendar year.

Powercon

9.3.4 With regard to the timeline for implementation (Section 9 of proposed next steps paper) Powercon are sure that the Regulator will acknowledge that whilst there are numerous task to be undertaken by both NIE and SONI – few of these tasks are either new or have not been undertaken by the UK DNO's in the past. We would request that the Regulator remains diligent in requiring NIE and SONI to progress a competitive connections regime at the most earliest opportunity and, if necessary, by implementing suitable 'trials' if this is considered to be the preferred way forward.

SSE

9.3.5 On the basis of reusing existing processes, from whichever jurisdiction is chosen as the template for NI, SSE believes that contestability should be deliverable by Q4 of 2015. NIE and SONI should be directed to liaise with ESBN/Eirgrid, to replicate contestability management processes used in ROI. There should be re-use of IT systems where possible, but implementation of

contestability should not be delayed in the absence of a desirable system.

RES

9.3.6 The proposed timeline set down in Annex 1 is noted but RES would encourage all stakeholders to maintain pressure on the work plan with a view to future acceleration.

9.4 Decisions

9.4.1 Based on the responses to the proposed next steps paper and from our engagement with NIE and SONI, we will consider a phased approach. This will allow NIE and SONI to offer contestability to a certain volume of customers which they can manage without having the necessary IT systems in place that will be required to offer contestability for all connections.

9.4.2 We will continue to work with NIE and SONI to ensure full rollout of contestability is achieved.

10 Next Steps for Utility Regulator

10.1 Responses

SONI

10.1.1 SONI stated that in addition to the Utility Regulator being responsible for reviewing and approving the "SONI Transmission Connection Charging Methodology Statement" the Utility Regulator is also responsible for reviewing and approving any changes to the following documentation:

- TIA and TIA subsidiary documents
- Grid Code
- NIE Security and Planning Standards

Simple Power

10.1.2 Simple Power suggest that the Utility Regulator urgently review the NIE timeline with a view to adopting the approach they are suggesting with a much reduced timeline for implementation. Simple Power believe if the opportunity to get a first phase of contestability for small scale generation in place in a timely manner is missed, the possibility of ever having a proper competitive electricity connections market in N Ireland is at risk. In addition, it was Simple Power's understanding that it was the Utility Regulator's intention to look for a quick win in establishing contestability, Simple Power believe this to be that opportunity.

SSE

10.1.3 To date, SSE is the only developer to have delivered a contestable transmission connection in Northern Ireland. Based on this experience, there is no reason to delay implementation of contestability, other than to take account of organisational constraints caused by volume of applications. To accelerate implementation of contestability, the UR should invite notes of interest and project timescales from developers, to gauge the level of interest and thereby help to assess the level of NIE support resource that would be required, prior to more enduring arrangements becoming available.

10.1.4 SSE highlighted that the only material issue remaining relates to recharging arrangements for costs associated with shared assets. Clarity is required on whether or not legal discrimination currently exists in this area, based on whether or not legal silence is the same as prohibition. If current law is found to discriminate, then it must be amended and the UR must work with the Department to remedy the situation.

10.2 Decisions

10.2.1 The UR will introduce contestability for all connections within Northern Ireland. This will be delivered by:

- Working with NIE and SONI on their implementation plan
- Modifying NIE's and SONI's licence to ensure that if an asset is constructed contestably, to NIE and SONI standards, that the licence holder will have a duty to adopt the asset.
- Reviewing contestability when the framework is in place to ensure that competition is not hindered.

10.2.2 We will engage with NIE and SONI to establish the limitations of the phased approach and the volume of contestable connections that can be offered prior to IT system development work being completed. This phased approach will aim to initially target some large scale connections in early 2016, with a view to opening contestability up for all generation connections, and finally including contestability for all demand connections. The timeline for this phased introduction will be finalised with NIE and SONI for publication later this year.

10.2.3 We will engage with NIE and SONI prior to modifying their licences to reflect their new obligation to provide contestable connections. Proposed modifications to the licences will be issued for consultation late 2015.

10.2.4 Prior to the licence modifications coming into effect (which will legally bind NIE and SONI to provide contestable connection), we are investigating the implementation of a phased approach to allow contestability to take place prior to the development of management systems that are required for complete rollout.

10.2.5 We will continue to work with NIE and SONI to implement contestability in parallel with the licence modifications and the working group that has been put in place.[11]

10.2.6 We will review and approve the proposed connection charging methodologies presented by NIE and SONI for contestable connections.

10.2.7 When contestability has been established, we will carry out an ongoing review into the uptake of contestability and make changes where necessary to promote competition.

10.2.8 The UR has reviewed the Grid code, Distribution code and Planning Standards and do not foresee any issues within these documents regarding the introduction of contestability.

[11] http://www.uregni.gov.uk/electricity/contestability_working_group/

10.2.9 We will continue to work with SONI and NIE to reduce their timelines for implementation.