

Energy



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Brian

## **CONSULTATION ON CONNECTION ARRANGEMENTS FOR OFFSHORE RENEWABLE GENERATION**

Thank you for the opportunity for DETI Energy Division to comment on NIAUR's consultation on "Connection Arrangements for Offshore Renewable Generation". The Department's policy position is to set the most appropriate policy framework to encourage the most cost effective mix of technology neutral and market led renewable energy technologies. The Department's key aim in respect of renewable electricity generation is to ensure that all forms of renewable generation will assist with security of supply, contribute to EU targets, reduce carbon emissions and offer supply chain benefits to the Northern Ireland economy.

Firstly it is important to confirm that the Department is supportive of a reasonable and proportionate connection policy for offshore renewables on the basis that any chosen option must be fully IME3 compliant. Whichever regime is chosen by NIAUR it is essential that this is fully compliant with IME3 requirements from the outset and that the developer does not bear any risk of non compliance with the IME3 unbundling rules as projects progress.

### **IME3 compliance**

As you are aware the obligations under the Electricity Directive in relation to transmission are set out in Chapter IV (Transmission System Operation – Articles 9 to 16) and Chapter V (Independent Transmission Operator – Articles 17 to 23). With regard to the proposed offshore renewables projects, the principle obligations are those under Article 9 (1)(b) of the Electricity Directive which provides as follows:-

“the same person or persons are entitled neither:

- (i) directly or indirectly to exercise control over an undertaking performing any of the functions of generation or supply, and directly or indirectly to exercise control or exercise any right over a transmission system operator or over a transmission system; nor
- (ii) directly or indirectly to exercise control over a transmission system operator or over a transmission system, and directly or indirectly to exercise control or exercise any right over an undertaking performing any of the functions of generation or supply.”

Although the term “transmission system” is not defined in the Electricity Directive, the definitions of “transmission system” in Article 3 of the Electricity Order (NI) 1992 are as follows:-

“a system which (a) consists (wholly or mainly) of high voltage lines and electrical plant; and (b) is used for conveying electricity (i) from a generating station to a substation.”

This definition would imply that any transmission activity between an offshore generating station and the onshore substation should require a transmission licence.

It is the Department’s view that while the point of connection will be a key factor in determining the licence requirements, it is also vital to determine the boundaries of the generating station. The Electricity Order does not contain a definition of the term “generating station”, which is also the case in GB under the Electricity Act 1989.

However for the purposes of the Renewables Obligation (RO), OFGEM has published guidance which states that, for the purposes of the RO, the boundary of a generating station, when the generating station is an offshore wind farm, is the parcel of Crown Estate leased to the generator.

It is the Department’s view, following initial legal advice on the subject that in accordance with the precedent set out in the RO guidance, and indeed with the licensing arrangements for terrestrial power stations, a generation licence could include any transmission activity within the boundary of the site. However, the Department considers that the boundary of the site in the instance of offshore renewable energy installations in NI waters is the boundary of the site covered by the Agreement to lease from the Crown Estate which does not extend to the shoreline. It is our understanding that the cable route for transmission assets will be subject to a separate lease.

Given this it seems that the options set out in the NIAUR consultation paper present a significant risk in relation to IME compliance. The Department is therefore seeking further legal advice in relation to this matter and would welcome a joint meeting with NIAUR and other stakeholders once we are in receipt of this further advice.

As noted above, the Department is supportive of any reasonable and proportionate offshore connection policy. The Department appreciates the flexibility in thinking and NIAUR’s aim to make the outcome proportionate (both in terms of scale of the Northern

Ireland project and also the fact that there is likely to be a very limited number of projects). However you will appreciate that there are very important issues around compliance and risk. The primary concern must be that any connection option chosen by NIAUR is IME3 compliant and does not put the Department at risk of substantial infraction fines, should it be judged subsequently that it is not, in fact, compliant. It would therefore be helpful if NIAUR could set out how each option suggested in the consultation document meets the requirements of all aspects of the IME3 Directive.

### **Timescale for decisions**

The Department would urge NIAUR to finalise IME3 compliant options for offshore connection as soon as is practicable in order that the offshore developers who have been awarded development rights from The Crown Estate can have clarity on the connection regime. From that perspective it would be useful if NIAUR could publish its timescale with milestones for key decision points. Connection decisions will impact on a number of associated areas within the overall refinement and development of these projects and clarity on this issue is essential to allow Environmental Impact Assessment work to continue as planned over the next 2 years.

The Department welcomes the discussions held to date and is willing to participate in further discussions with all parties if that is helpful.

Please note that all of this response may be put into the public domain.

**ENERGY DIVISION**

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