



10th January 2017

Ciaran MacCann,
Compliance and Network Operations,
Utility Regulator,
Queens House,
14 Queens Street,
Belfast

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[Sent by email to ciaran.maccann@uregni.gov.uk]

Re: Review of Electricity Distribution and Transmission Connections Policy
Call for Evidence

Dear Mr MacCann,

We, DW Consultancy Ltd (DWC), are wind farm project developers operating in both Northern Ireland (NI) and the Republic of Ireland (RoI). We have been active in the Northern Irish wind industry for over ten years, and we have developed a large portfolio of operational and consented (c.160MW+), and proposed (c.85MW) onshore wind farm projects. We welcome the opportunity to respond to the Utility Regulator's Call for Evidence to the '*Review of Electricity Distribution and Transmission Connections Policy*'.

DWC support the detailed response provided by the Northern Ireland Renewable Industry Group (NIRIG) to this call for evidence, and we provide further detailed comments herein. These comments can be summarised into the following four proposals:

1. Need for a robust regulatory framework to support connection policy. The Utility Regulator (UR) should have additional powers to set connection policy rather than require legislative changes every time connection policy needs to be amended,
2. Undertake transmission network planning process to facilitate the development of the wider transmission system,
3. Maintain clustering as the approach for developing shared transmission assets, and
4. To revert to a connection offer process with planning as a requirement. The planning requirement should be re-introduced immediately and the necessary changes to legislation be undertaken in parallel to ensure the policy cannot be undermined again in the future.

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DWC notes that the tone of UR's document suggests there is no ambition for the connection of renewable generation beyond the current 40% target. There is an ongoing transition in Government Policy on renewables but the decarbonisation of the energy system has only really started. The UK Government showed its continued commitment to this goal in 2016 by becoming a party to the Paris Accord on Climate Change. This call for evidence is timely at the start of this transition period to ensure that the connection framework and policies are robust for the connection of future renewable generation.

'1. Our Strategic Priorities'

(Q1. Do you agree with these strategic priorities?)

The strategic priorities should include **Ensuring the Regulatory Framework is Robust.**

This call for evidence has followed NIE and SONI's consultations to address planning permission no longer being a condition for applying for a grid connection. Even though NIE had used planning permission as a condition for applying for a grid connection for almost 20 years, with this policy becoming the corner stone of NI's connection policy, it transpired that it was not allowed under NIE's licence. A change to legislation is required to bring planning permission in as a condition for applying for a grid connection. Other fairly benign but critical connection policies such as rebating have not been introduced as they also require legislative changes. It is completely inappropriate that connection rules and policies require legislative changes every time they have to be changed or amended.

DWC believe that the UR should have greater powers to set connection policies following the appropriate level of consultation with the System Operators and Industry. The UR can continue with its role of arbitrator of disputes and also be the decision making body for connection policy. The UR already sets all-island connection and access policies through its role in the SEM committee.

In RoI, the CER has the role of setting connection policy. Under section 34 of the Electricity Regulation Act 1999, the CER may give directions to the RoI TSO or DSO for the terms and conditions of access to the distribution and transmission system. Specifically section 34(2)(c) provides that directions given by the CER to the TSO or DSO may outline "the terms and conditions upon which an offer for connection to the transmission or distribution system is made". The CER have effectively used this role in regularly reviewing and amending connection policy. For example rebate policy for grid connections was introduced and amended a number of times since the CER was established.



There will continue to be further fundamental changes to the design of energy systems. The first stage has been the deployment of renewable energy in electricity systems. Further stages will see increased penetration of renewables in electricity but also in the heat and transport sectors. This will see substantial electrification of heat and transport. There will also be the increased use of storage devices and the need for smart distribution systems including deployment of smart metering. Although the exact level and timing of these changes are uncertain, what is certain is that over the next 10 years there will be further fundamental changes to the design of energy systems. It would appear prudent to prepare the regulatory framework to ensure these changes can be implemented without multiple legislative changes. All this change in energy systems will need substantial flexibility for Regulators and Utilities to modify connection policies. This reinforces the need for the Department for Economy to review the role of the UR in setting connection policy.

'3. Connections Developments in NI'

(Q2. Do you agree that these are the main developments we should be mindful of? Are there any other developments which are important?)

The pace of development of the transmission system has not kept pace with the delivery of the renewable projects contracted to connect to the NIE grid and required to meet Government's renewable target of 40% by 2020. The principles of the All-Island SEM include a shallow connection policy. Generators are required to pay for the shallow connection assets and the system operators are required to complete the deep reinforcements to provide firm access to these generators. The SEM Generator Connection Policy Decision Paper from 2006 (AIP/SEM/114/06) states:

"The Regulatory Authorities consider that firm access should be provided only from the actual completion date of deep reinforcements, but that the system operators and network owners should be obliged to complete such reinforcements in a timely manner."

The UR's review of charging for transmission deep reinforcements needs to consider the current SEM policy on charging for these assets and the requirements for the system operators to bring forward these reinforcements in a timely manner.

It has been hugely disappointing that NIE/SONI have not brought forward a transmission development plan, particularly as there has been an ongoing commitment for almost 10 years for a transmission development document to be published.



In Section 3.12 of the UR's document it states '*many areas of the network have little or no capacity left to carry additional electricity*'. This statement is not correct. It is correct that at times of high wind generation and low demand, there are parts of the transmission network in NI that are saturated and the wind generators are constrained. However, there are times of higher demand or lower wind generation when this same network can still 'carry additional electricity'. As well as building more network assets there will also be opportunities in the future to increase network capacity with new smart grid technologies as well increased capacity from the introduction of storage and controllable demand. This increased flexibility and use of smarter solutions are referenced in 3.20 of the UR's document. In RP6 there should be greater emphasis in allowing NIE and SONI to explore innovative and smart grid solutions. Restrictions in previous price controls have limited NIE and SONI to undertake innovation.

(Q3. Is there a role for connections policy to promote effective network management? If so, what are the issues which need addressed and potential solutions as part of this review)

The cluster policy in NI has been relatively successful, with five cluster substations to be complete by 2018. In all of these clusters there have been a relatively high take-up of the available capacity, minimising the contribution from the NI consumer. The extension of the cluster policy could see second transformers installed in most of these cluster substations, resulting in the NI consumer being fully rebated for these cluster substations. There have been delays in the full roll out of the cluster policy, in particular the development of future transmission infrastructure for the wind farm projects currently in the planning process. DW request the continuation of cluster policy. It has proven to be a successful mechanism for the development of shared transmission infrastructure for the connection of generators. There are some aspects of cluster policy that do require further consultation, for example the charging for second transformers in cluster substations.

'4. Issues for Review'

(Q5. Should we review how the connections process and queue is managed? If so, what are the issues which need addressed and potential solutions?)

The requirement for planning permission to apply for a grid connection had been the corner stone of connection policy in NI up until mid-2015. This single policy served the entire industry extremely well. It removed speculative applications from hoarding valuable grid capacity. At a stage where there is approximately 1600MW of contracted grid capacity for



renewables, the need to reduce potential speculative applications and the hoarding of grid capacity has never been greater.

Speculative grid applications and capacity hoarding has been a problem in RoI since the introduction of their Group Processing Approach. It resulted in a secondary market for grid capacity which only increased the cost of renewables. The ongoing CER consultation on a new regime for the processing of grid applications is very seriously considering introducing the planning permission condition, with overwhelming support from Industry for this proposal. In Britain, extra conditions are being considered to manage grid hoarding. The proposals being considered in Britain address the existing hoarding and queue issues that exist in that jurisdiction and are not necessarily relevant to NI as to-date we don't have a capacity hoarding issue.

The problems that need to be addressed in NI is the current lack of a grid application process and a large queue of what are relatively speculative applications. Processing these applications through some form of batch process, as proposed by SONI and NIE in previous consultations, and then managing capacity hoarding through some form of milestones is not a workable solution in DWC's opinion. With so much speculative applications in the queue, the batch process would take substantial time, resource and cost. It would result in connection methods and offers that would have to fundamentally change multiple times until the speculative projects were worked out of the system. This could result in substantial delay and cost to the 'real' projects that are in the system.

The best approach to minimise hoarding of capacity, address the speculative queue of applications and introduce a connection offer process in a timely manner, is to reintroduce the requirement to having planning permission to apply for a grid connection. It is noted that NIE have already reintroduced the requirement for planning permission for the Phase 1 offer process. To-date there does not appear to be any objections from Industry to this rule being included in the Phase 1 offer process. Until the dispute in 2014/15 from a renewable developer there had not been any objections from Industry to the planning requirement. DWC request that the planning permission requirement is immediately re-introduced. As the vast majority of the connection applications in the queue do not have planning permission, this change would not result in the need for NIE and SONI to immediately process a large number of applications. It appears unlikely that any generators will dispute this rule as long as this was only an interim measure and there was an ongoing process to ensure the planning requirement is robustly included in legislation and/or the system operators licences. The reintroduction of the planning requirement would also ensure that the moratorium to the processing of connection applications post Phase 1 would no longer continue and NIE and SONI could return to issuing connection offers as per their licence requirements.



Please do not hesitate in contacting us if you have any queries or wish to discuss this matter further.

Yours Sincerely,

Doreen Walker
Director