



Notice under Article 14(8) of the Electricity (Northern Ireland) Order 1992

Decision on Modifications to NIE Networks Transmission and Distribution Licences for Capex Connection Costs on a pass through basis

18 Nov 2019



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, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This paper sets out our decision for modifications to the 'Pass Through' Capex term within NIE Networks' electricity Transmission and Distribution Licences.

The proposed modifications was consulted on in September 2019, seven responses were received. We have considered the responses and have decided to proceed with the modifications.

This decision will facilitate the recovery of certain costs relating to the connection of the NIE Networks electricity distribution system to the Northern Ireland transmission system in circumstances where the relevant connection is to an existing transmission system asset that has been funded by one or more other connectees in the ten years prior to the relevant connection.

Audience

This document is likely to be of interest to regulated companies in the energy industry, government, industry groups, consumer bodies, environmental groups and those with an interest in the energy industry and network planning.

Consumer impact

Overall, the licence modifications are designed to facilitate the approval of appropriate pass through Capex allowances.

Any additional pass through Capex will have to be submitted by NIE Networks and approved by the UR. The customer impact in relation to each specific pass through Capex approved project will be identified in our published decision.

The impact will depend on the transmission cost of the connection and the amount approved by the UR.



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Glossary

Capex	Capital expenditure
DPA	Data Protection Act 1998
e.g.	For example
Electricity Order	The Electricity (Northern Ireland) Order 1992
etc.	Et cetera (and so forth)
FOIA	Freedom of Information Act 2000
i.e.	that is
NI	Northern Ireland
NIE Networks	Northern Ireland Electricity Networks
Opex	Operating expenditure
RAB	Regulated Asset Base
SoCC	Statement of Connection Charges
SONI	System Operator Northern Ireland
TIA	Transmission Interface Arrangements
TCCMS	Transmission Connection Charging Methodology Statement
UR	Utility Regulator



1 Executive Summary

- 1.1 This paper sets out our decision on our proposal for Additional pass through Capex Modifications to NIE Networks' Transmission and Distribution Licences. The licences affected by the decided changes are the:
- NIE Networks Transmission Licence¹
 - NIE Networks Distribution Licence²
- 1.2 On 19 Sept 2019 we issued a consultation on the Proposed Modifications to NIE Networks Licences for Capex Connection Costs on a pass through basis.³
- 1.3 The consultation closed on 21st Oct 2019 and we received seven responses. One response was confidential, the remaining responses were from NIE Networks, SONI, RES, TCI renewables, Ballyutoag Wind farm and DW Consultancy Ltd. These responses are published alongside this decision paper.
- 1.4 All responses welcomed the proposed modifications and as such we have decided to implement the modifications as drafted in the consultation paper.
- 1.5 The modifications were required to provide for NIE Networks to be able to recover any connection charges which:
- a. it is required to pay under and in accordance with the provisions of the Transmission Interface Arrangements (TIA); and
 - b. are not (either at present or going forward) recoverable by it (either in its capacity as owner/operator of the distribution system or as owner of the transmission system) through any other means or provision of either Licence.
- 1.6 The effect of the licence modification proposals was to create a mechanism in the NIE Networks transmission and distribution licences which would facilitate pass through capex to be added to NIE Networks RAB and paid for by all customers.
- 1.7 These licence modifications will take effect from 18/01/2020.
- 1.8 Any request for additional pass through capex under this mechanism submitted after 18/01/2020 would need to be approved by the Utility Regulator (UR).

¹ <https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Transmission%20Licence%20effective%2015%20Feb%202019.pdf>

² <https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Distribution%20Licence%20-%20effective%2029%2001%202019.pdf>

³ <https://www.uregni.gov.uk/consultations/consultation-proposed-modifications-nie-networks-transmission-and-distribution>

2 Introduction

Purpose of this paper

- 2.1 On 19 Sept 2019 we issued a consultation on the Proposed Modifications to NIE Networks Licences for Capex Connection Costs on a pass through basis.⁴
- 2.2 The licence modification proposals were aimed at providing appropriate pass through Capex to be allocated to NIE Networks Regulated Asset Base (RAB). This requirement for the modified text was to provide for the mechanism which had been identified following the UR's determination of a dispute between NIE Networks Distribution and SONI, the Transmission System Operator in respect of charges for the connection of distribution infrastructure to existing transmission infrastructure that has (in the last 10 years) been constructed for and funded by a third party.
- 2.3 The dispute related to the terms of an offer made by SONI under and in accordance with Section S of the document that is entitled the "Transmission Interface Arrangements" (TIA) in relation to the connection of the distribution system (in the context of the dispute a Cluster Substation) to the Northern Ireland electricity transmission system⁵.
- 2.4 In determining the dispute, the UR concluded that SONI was entitled to (and in the circumstances of the case relating to the dispute had to) include a "Use of Shared Asset Charge" in the connection offer to be made by it to NIE Networks Distribution for the connection of the Cluster Substation to the transmission system given the connection was to be made to and make use of existing transmission assets that had been funded by an existing connectee (third party) within the ten years preceding the proposed date of connection of the Cluster Substation.

The pass through capex expenditure amount mechanism

- 2.5 The consultation paper proposed to amend the Transmission and Distribution licences so that, if the need arises, depending on the Capex request, NIE Networks had a mechanism to request an amount of the pass through Capex for the UR's consideration and approval to be added to either the Transmission or Distribution RAB as appropriate.
- 2.6 It will be up to NIE Networks to submit a request for a pass through Capex and for NIE Networks to identify under which Licence (i.e. either Distribution or Transmission but not both) the request is made. In submitting its request NIE Networks shall provide such information, including in such manner, format and within such period, as may be required by the UR (and notified to the Licensee) for the purposes of making our determination.
- 2.7 The UR will consider a request for pass through Capex in line with our duties and if approved we will publish our decision. We may also make the determination subject to conditions with which the Licensee shall be required to comply; these will be identified in our decision. For the avoidance of doubt, the UR confirms that only those costs approved by the UR shall be recoverable by NIE Networks and recoverable either under the provisions of the transmission licence or the distribution licence (but not both).
- 2.8 The proposed modifications were required to provide for NIE Networks to be able to recover any connection charges which:
- it is required to pay under and in accordance with the provisions of the Transmission Interface Arrangements (TIA); and
 - are not (either at present or going forward) recoverable by it (either in its capacity as owner/operator of the distribution system or as owner of the transmission system) through any other means or provision of either Licence.

⁴ <https://www.uregni.gov.uk/consultations/consultation-proposed-modifications-nie-networks-transmission-and-distribution>

⁵ <https://www.uregni.gov.uk/sites/uregni/files/media-files/TIA%20Final%20Determination%2028%20March%202019.pdf>

Responses

2.9 The Utility Regulator sought industry and stakeholder views and comments on the outlined licence modifications proposals and their effect.

2.10 Seven responses were received in response to the consultation. One response was confidential; the remaining responses were from NIE networks, SONI, RES, TCI renewables, Ballyutoag Wind farm and DW Consultancy Ltd. These responses are published alongside this decision paper.

2.11 The UR has considered these representations and decided to proceed with the proposed modifications. The UR response to the various submissions is detailed in the table below.

Table 1: Response summary and UR comment.

NIE Comment	UR Response
<p>NIE Networks noted that the proposed licence modifications are intended to provide for NIE Networks to be able to recover any Shared Asset Charge which we are required to pay to SONI under and in accordance with the provisions of the Transmission Connection Charging Methodology Statement issued by SONI, subject to NIE Networks providing such information as may be requested by the UR and also complying with such processes as may be set by the UR and such conditions as the UR may require in giving its approval to such recovery.</p> <p>We agree that such a mechanism is required. Furthermore, we are content that the proposed modification drafting achieves the desired effect.</p>	<p>The UR agrees that this modification will enable NIE Networks ability to recover any Shared Asset Charge. The decision is to proceed with this proposed modification.</p>
SONI Comment	UR Response
<p>SONI notes that the proposed mechanism under the consultation is essentially a temporary measure and that going forward, a review of the DNO's distribution connection charging methodology is required.....SONI would welcome this review.</p> <p>SONI note that under the proposed mechanism it will be up to NIE Networks to submit a request for a pass through Capex .. SONI may also need to provide input to NIE Networks to allow them to meet these requirements</p> <p>Taking into consideration that SONI would only include a Use of Shared Asset Charge to enable it to pass through a partial rebate to its existing customer who would be entitled to it under Section 7 of the TCCMS, then should the case arise where UR doesn't approve, adds conditions that cannot be met or only partially approved NIE Networks' request then there is potential that SONI may be in a position where it may not be</p>	<p>The SONI response does not indicate if they are content with the proposed modifications or wish for any changes. They do however, highlight a number of areas where they would welcome the opportunity to discuss further the next steps of the process;</p> <ul style="list-style-type: none"> • review of DNO's distribution connection charging methodology • the manner / format / timelines of information required to enable NIE Networks to submit their request. • the risk associated with the UR refusing to approve NIE networks request • other scenarios where money flows are required to fulfil connection offers under Section S of the TIA <p>As indicated in the consultation paper the UR will be continuing to engage with SONI/ NIE Networks on the next steps to get the TIA and the charging statements reviewed. This includes not only NIE</p>

<p>able to fulfil its duties under the TCCMS approved by the UR.</p> <p>In addition, the proposed mechanism only applies where the DNO is required to pay a Use of Shared Asset Charge to SONI to allow us to pass this through to our existing Transmission customer.</p> <p>However, there are other scenarios where money flows are required to fulfil connection offers under Section S of the TIA. The mechanism does not seem to take into account these alternative scenarios where SONI would be paying a partial rebate back to the DNO. SONI would therefore suggest that the 'reverse' scenario should also be taken into consideration as part of this process, with the objective of securing a level playing field for all parties competing in the wholesale market.</p>	<p>Networks charging methodology but also SONI's charging methodology.</p> <p>SONI has a requirement under Condition 18. Transmission Interface Arrangements, to provide for matters which include the exchange of information between the Licensee and the Transmission Owner and the procedures to enable the Licensee or the Transmission Owner (as the case may be) to produce information about the transmission system in accordance with its respective obligations.</p> <p>In regards to the risk where the UR does not approve NIE Networks request; it would be up to the respective Licensee to fulfil its duties in line with its requirements.</p> <p>As noted in the consultation paper the UR is proposing to review the distribution connection charging methodology further and will as part of that review also consider whether any further or wider regulatory changes are required to or in respect of the Northern Ireland connections charging framework and the interplay between transmission and distribution connections to infrastructure which forms part of a cluster substation</p>
RES Comment	UR Response
<p>RES consider this proposal to represent a pragmatic way forward that will protect confidence of those considering investment in new electricity generation in Northern Ireland.</p> <p>The Utility Regulator's proposal will therefore be in the best interest of the Northern Island consumer through a measure that will help to promote effective competition in electricity generation. For this reason, RES supports the proposal.</p>	<p>The UR agrees that this modification represents a pragmatic way forward.</p>
TCI Renewables Comment	UR Response
<p>The modifications are of particular interest to TCI as a party (via it's then 100% owned subsidiary Brockaghboy Windfarm Ltd) who has previously paid the full cost of such shared connection assets to SONI but has not yet received a proportionate cost share reimbursement, notwithstanding that SONI has issued a connection offer to NIEN Distribution for the connection of the Agivey cluster substation to the Transmission System.</p> <p>TCI would expect NIEN Distribution to submit a request for approval to UREGNI for an amount equal to the Use of Shared Asset Charge to be added to its RAB immediately upon earlier of (i)</p>	<p>The UR notes TCI comments and would expect NIE networks to submit a request for approval. The UR will consider a request for pass through Capex in line with our duties and if approved we will publish our decision.</p>

the acceptance of the connection/works offer referred to above, or (ii) the outcome of this Consultation / giving effect to the necessary Licence modifications.	
Ballyutoag Comment	UR Response
<p>Ballyutoag Wind farm is aware of at least one instance in NI where a SONI transmission customer has previously paid the full cost of such shared connection assets to SONI but has not yet received a proportionate cost share reimbursement, notwithstanding that SONI has issued a connection offer to NIEN Distribution for the connection of the Agivey cluster substation to the Transmission System.</p> <p>Ballyutoag Wind farm would expect NIEN Distribution to submit a request for approval to UREGNI for an amount equal to the Use of Shared Asset Charge to be added to its RAB immediately upon earlier of (i) the acceptance of the connection/works offer referred to above, or (ii) the outcome of this Consultation / giving effect to the necessary Licence modifications.</p>	<p>The UR notes Ballyutoag Wind farm comments and would expect NIE networks to submit a request for approval. The UR will consider a request for pass through Capex in line with our duties and if approved we will publish our decision.</p>
DW Comment	UR Response
<p>DWC welcomes that this consultation is trying to address irregularities that have arisen in connection policy for generators. However, we are very concerned that this consultation is only partly addressing the irregularities that have been identified during recent dispute processes.</p> <p>We note in the Utility Regulators final decision document in March 2019 on the NIE Networks/SONI dispute, that NIE Networks had highlighted (section 5.20) that consultation is required on not just how a transmission connectee is rebated when NIE Networks connectees are charged for shared transmission assets but also in the inverse scenario where a transmission connectee is charged in order to provide a rebate to NIE Networks, which it in turn can pass on to a distribution connectee. We also note that when clustering connection policy was developed in 2010 it was recognised that there could be shared transmission assets between distribution clusters and transmission connected generators.</p> <p>We are therefore respectfully requesting that this consultation process considers both of the scenarios that NIE Networks have previously highlighted as requiring policy development.</p>	<p>As noted in the consultation paper the UR is proposing to review the distribution connection charging methodology further and will as part of that review also consider whether any further or wider regulatory changes are required to or in respect of the Northern Ireland connections charging framework and the interplay between transmission and distribution connections to infrastructure which forms part of a cluster substation</p>

2.12 One response was confidential but was supportive of the proposed changes and requested that the modifications proceed.

3 Decision on the Distribution Licence Modification – Annex 2 – Distribution Charge Restriction Conditions

Background

- 3.1 Following consideration of the seven responses and further review, this decision paper issues the modifications to NIE Networks Distribution Licence.
- 3.2 There are no differences between the decision modifications and those set out in the previous consultation paper and notice pursuant to Article 14(2) of the 1992 Order.

Decided Licence Modifications

- 3.3 Within NIE Networks' Distribution Licence we proposed, in Annex 2 – Distribution Charge Restriction Conditions in paragraph 4.21(b) to modify the approved projects to allow for further allowed pass through capex within the term $PTCE_X_t$
- 3.4 We proposed to add the following text to 4.21(b) " $PTCE_X_t = CC_X_t + CCSA_X_t$ "
- 3.5 $CCSA_X_t$ is to be defined as "means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator."
- 3.6 We also proposed to update the definitions in the Annex to define the terms 'Shared Asset Charges' and 'Transmission Connection Charging Methodology Statement' as follows - .
- a. Shared Asset Charges means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement
 - b. Transmission Connection Charging Methodology Statement means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.
- 3.7 We have decided to implement the proposed modifications. The decided upon red lined licence modifications are set out in detail in Annex A.

Reasons and Effects

- 3.8 The reason for the change within the term $PTCE_X_t$ was designed to provide for pass through of UR approved Capex costs, relating to the connection of the distribution system to existing transmission system assets which have been funded by other connectees who are, by reason of a new connection being made to a transmission asset paid for by them, entitled to a rebate under and in accordance with the transmission connections charging framework, to be allocated to NIE Networks Distribution RAB, if approved.
- 3.9 The Distribution Licence (at paragraph 4.21 of Annex 2) makes provision for 'pass through capex' to be added to the RAB as determined by the UR in a published decision. The addition of $CCSA_X_t$ enables an approved Shared Asset Charge payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.

- 3.10 The effects of the modifications will enable NIE Networks to submit additional pass through Capex projects for approval in relation to the recovery of costs incurred by NIE Networks in respect of distribution/transmission connections which are not otherwise recoverable by NIE Networks through any other means or mechanisms.

4 Decision on the Transmission Licence Modification – Annex 2 – Transmission Charge Restriction Conditions

Background

- 3.1 Following consideration of the seven responses and further review, this decision paper issues the modifications to NIE Networks Transmission Licence.
- 3.2 There are no differences between the decision modifications and those set out in the previous consultation paper and notice pursuant to Article 14(2) of the 1992 Order.

Proposed Licence Modifications

- 4.1 Within NIE Networks Transmission licence we proposed, in Annex 2 – Transmission Charge Restriction Conditions in in paragraph 4.21(b) to modify the approved projects to allow for further allowed pass through capex within the term $PTCE_{X_t}$
- 4.2 We proposed to add the following text to 4.21(b) “ $PTCE_{X_t} = CC_{X_t} + CCSA_{X_t}$ ”
- 4.3 $CCSA_{X_t}$ is to be defined as "means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator."
- 4.4 We also proposed to update the definitions in the Annex to define the terms Shared Asset Charges and the Transmission Connection Charging Methodology Statement as follows -
- a. Shared Asset Charges means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement
 - b. Transmission Connection Charging Methodology Statement means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.
- 4.5 We have decided to implement the proposed modifications. The decided upon red lined licence modifications are set out in detail in Annex B.

Reasons and Effects

- 4.6 The reason for the change within the term $PTCE_{X_t}$ was designed to provide for pass through of UR approved Capex costs, relating to the connection of the distribution system to existing transmission systems assets which have been funded by other connectees who are, by reason of a new connection being made to a transmission asset paid for by them, entitled to a rebate under and in accordance with the transmission connections charging framework, to be allocated to NIE Networks Transmission RAB, once approved.

- 4.7 The Transmission Licence (at paragraph 4.21 of Annex 2) makes provision for 'pass through capex' to be added to the RAB as determined by the UR in a published decision. The addition of CCSA_X_t enables an approved Shared Asset Charge payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.
- 4.8 The effects of the modifications will enable NIE Networks to submit pass through Capex projects for approval in relation to the recovery of costs incurred by NIE Networks in respect of distribution/transmission connections which are not otherwise recoverable by NIE Networks through any other means or mechanisms.

5 Next Steps

- 5.1 This decision on the two licences allows for NIE Networks to submit to the UR for approval, a Pass through Capex relating to a Shared Asset Charge to be added to NIE Networks RAB.
- 5.2 These Licence modifications will take effect from 18/01/2020.
- 5.3 Once these licence modification have been implemented we would expect NIE Networks to submit a request for approval for an amount to be added to the RAB.
- 5.4 The UR will consider in line with our duties and if approved we will publish our decision.
- 5.5 The customer impact in relation to each specific pass through Capex approved project will be identified in our published decision.
- 5.6 As noted in the consultation paper the UR is proposing to review the distribution connection charging methodology further and will as part of that review also consider whether any further or wider regulatory changes are required to or in respect of the Northern Ireland connections charging framework and the interplay between transmission and distribution connections to infrastructure which forms part of a cluster substation. Therefore we will continue to engage with SONI/ NIE Networks on the next steps to get the TIA the NIE networks Statement of Connection Charges (SoCC) and the SONI Transmission Connection Charging Methodology statement (TCCMS) revised.
- 5.7 We will also consider future changes to these statements in relation to non-domestic customer charges in respect of shared assets.

Table 2: Timelines for next steps

Next Steps	Date
Notice of decision to modify Distribution and Transmission licences published	18/11/2019
Licence modification effective date	18/01/2020
NIE Networks to submit a request for approval for an amount to be added to the RAB	Q1 2020
Further review of the TIA, the NIE Networks Statement of Connection Charges (SoCC) and the SONI Transmission Connection Charging Methodology statement (TCCMS).	Q1 2020

Annexes

Table 2 below provides an overview over the annexes to this decision document.

Annexes A to B sets out, for each licence, the decided modifications tracked against the current licence drafting.

Annex C and D represents the notice under Article 14(8) of the Electricity (Northern Ireland) Order 1992 for the two licence modification decisions.

Table 3: Overview over Annexes

Annex Number	Annex Name
Annex A	Distribution Licence Modifications Decision
Annex B	Transmission Licence Modifications Decision
Annex C	Article 14(8) of the Electricity (Northern Ireland) Order 1992 - NIE Networks Distribution Licence
Annex D	Article 14(8) of the Electricity (Northern Ireland) Order 1992 - NIE Networks Transmission Licence

Annex A- NIE Networks NIE Distribution Licence

<https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Distribution%20Licence%20-%20effective%2029%2001%202019.pdf>

Annex 2 – Distribution Charge Restriction Conditions

In section 1. Definitions, in paragraph 1.1 of Annex 2, the following new definitions are to be inserted (in alphabetical order) -

Shared Asset Charges	means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement.
Transmission Connection Charging Methodology Statement	means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.

In section 4. The Regulatory Asset Bases – RAB_{X_t}, paragraph 4.21 is amended and a new paragraph 4.21A inserted (in each case as shown below)

4.20. The pass through capex expenditure amount - PTCE_{X_t}

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the pass through capex expenditure amount (PTCE_{X_t}), shall:

a) be the value of capex incurred by the Licensee (excluding QCE_{X_t}) reasonably allocated or attributed to:

- i. the Distribution Business;
- ii. the Regulatory Reporting Year t; and
- iii. RAB_X; and

b) be calculated as follows:

$$PTCE_{X_t} = CC_{X_t} + CCSA_{X_t}$$

Where:

CC_{X_t} means the capex connections amount in Regulatory Reporting Year t and for each RAB_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- i. housing sites with 12 or more domestic premises; and
- ii. Approved Generation Cluster Infrastructure; and

CCSA_{X_t} means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection

agreement entered into between that third party and the Transmission System Operator.

- 4.21A The value of $CCSA_X_t$ in each Regulatory Year t and for each RAB_X shall be that which the Authority considers appropriate, and for these purposes:
- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;
 - b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
 - c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
 - d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

Annex B - NIE Networks NIE Transmission Licence

<https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Transmission%20Licence%20effective%2015%20Feb%202019.pdf>

Annex 2 – Transmission Charge Restriction Conditions

In section 1. Definitions, in paragraph 1.1 of Annex 2, the following new definitions will be inserted (in alphabetical order) -

Shared Asset Charges	means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement
Transmission Connection Charging Methodology Statement	means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.

4.20. The pass through capex expenditure amount - PTCE_Xt

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the pass through capex expenditure amount (PTCE_Xt), shall:

- a) be the value of capex incurred by the Licensee (excluding QCE_Xt) reasonably allocated or attributed to:
 - i. the Transmission Owner Business;
 - ii. the Regulatory Reporting Year t; and
 - iii. RAB_X; and

b) be calculated as follows:

$$PTCE_Xt = CC_Xt + CCSA_Xt$$

Where:

- CC_Xt means the capex connections amount in Regulatory Reporting Year t and for each RAB_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:
- i. Approved Generation Cluster Infrastructure.

CCSA_Xt means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement

entered into between that third party and the Transmission System Operator.

- 4.21A The value of $CCSA_X_t$ in each Regulatory Year t and for each RAB_X shall be that which the Authority considers appropriate, and for these purposes:
- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex or of Annex 2 in the successor distribution licence;
 - b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
 - c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
 - d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

Annex C

Notice under Article 14(8) of the Electricity (Northern Ireland) Order 1992 – Modifications to Annex 2 of the Electricity Distribution Licence Held by Northern Ireland Electricity Networks (Ltd)

THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION NOTICE UNDER ARTICLE 14(8) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992 MODIFICATIONS PROPOSED TO THE ELECTRICITY DISTRIBUTION LICENCE HELD BY NORTHERN IRELAND ELECTRICITY NETWORKS

Therefore In accordance with Article 14(2) of the Electricity (Northern Ireland) Order 1992 (**"the Order"**) the Northern Ireland Authority for Utility Regulation (**"the Authority"**) published a notice dated 19 September 2019 (**"the said notice"**) of its intention to modify the electricity distribution licence (the **"Licence"**) held by Northern Ireland Electricity Networks Limited (the **"Licensee"**)

In accordance with Article 14(5) of the Order the Authority has considered representations duly made to it in response to the said notice. The Authority has decided to proceed with the making of modifications of the conditions of Licence held by Licensee in exercise of its powers under Article 14(1) of the Order.

In accordance with Article 14(8) of the Order the Authority gives notice as follows:

- 1) The Authority shall make modifications to the Electricity Distribution licence (**"the Licence"**) held by Northern Ireland Electricity Networks Limited (**"the Licensee"**).
- 2) By the said notice the Authority stated that it intended to modify the Licence and offered reasons for and the effect of the proposed modifications. The purpose of the said notice was to bring the proposed modifications to the attention of persons likely to be affected by them, and to invite representations or objections in connection thereto.
- 3) Seven responses were received; these responses have been considered by the Authority pursuant to article 14(5) of the Order
- 4) Details of the modifications are set out in chapter 3 of the attached decision paper on pass through capex connection costs to NIE Networks Transmission and Distribution Licenses as well as in Annex A to that decision paper.
- 5) The Authority has decided to proceed with the modifications to the Licence.
- 6) The reasons and effects of the proposed licence modifications are set out in chapter 3 of the attached decision paper.
- 7) The Authority has, pursuant to Article 14(8) of the Order, published this notice on its website and sent a copy of this notice to the Licensee. Further the Authority has provided a copy of this notice to the Department for the Economy and the Consumer Council for Northern Ireland.
- 8) The licence modifications will come into effect on 18/01/2020
- 9) A copy of the modification can be obtained in hard copy from Jody O'Boyle at: Utility Regulator, Queens House, 14 Queen Street, Belfast, BT1 6ED. Email jody.oboyle@uregni.gov.uk

Dated this 18/11/2019



Jenny Pyper

For and on behalf of the Northern Ireland Authority for Utility Regulation

Annex D

Notice under Article 14(8) of the Electricity (Northern Ireland) Order 1992 – Modifications to Annex 2 of the Transmission Conveyance Licence Held by Northern Ireland Electricity Networks (Ltd)

THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION NOTICE UNDER ARTICLE 14(8) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992 MODIFICATIONS PROPOSED TO THE ELECTRICITY TRANSMISSION LICENCE HELD BY NORTHERN IRELAND ELECTRICITY NETWORKS

Therefore In accordance with Article 14(2) of the Electricity (Northern Ireland) Order 1992 (**"the Order"**) the Northern Ireland Authority for Utility Regulation (**"the Authority"**) published a notice dated 19 September 2019 (**"the said notice"**) of its intention to modify the electricity transmission licence (the **"Licence"**) held by Northern Ireland Electricity Networks Limited (the **"Licensee"**)

In accordance with Article 14(5) of the Order the Authority has considered representations duly made to it in response to the said notice. The Authority has decided to proceed with the making of modifications of the conditions of Licence held by Licensee in exercise of its powers under Article 14(1) of the Order.

In accordance with Article 14(8) of the Order the Authority gives notice as follows:

- 1) The Authority shall make modifications to the Electricity Transmission licence (**"the Licence"**) held by Northern Ireland Electricity Networks Limited (**"the Licensee"**).
- 2) By the said notice the Authority stated that it intended to modify the Licence and offered reasons for and the effect of the proposed modifications. The purpose of the said notice was to bring the proposed modifications to the attention of persons likely to be affected by them, and to invite representations or objections in connection thereto.
- 3) Seven responses were received; these responses have been considered by the Authority pursuant to article 14(5) of the Order
- 4) Details of the modifications are set out in chapter 4 of the attached decision paper on pass through capex connection costs to NIE Networks Transmission and Distribution Licenses as well as in Annex B to that decision paper.
- 5) The Authority has decided to proceed with the modifications to the Licence
- 6) The reasons and effects of the proposed licence modifications are set out in chapter 4 of the attached decision paper.
- 7) The Authority has, pursuant to Article 14(8) of the Order, published this notice on its website and sent a copy of this notice to the Licensee. Further the Authority has provided a copy of this notice to the Department for the Economy and the Consumer Council for Northern Ireland.
- 8) The licence modifications will come into effect on 18/01/2020
- 9) A copy of the modification can be obtained in hard copy from Jody O'Boyle at: Utility Regulator, Queens House, 14 Queen Street, Belfast, BT1 6ED. Email jody.oboyle@uregni.gov.uk

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Jenny Pyper

For and on behalf of the Northern Ireland Authority for Utility Regulation