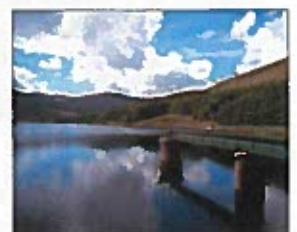


Decision paper on NIE licence modifications: definition of severe weather event

February 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

Northern Ireland Electricity (NIE) must comply with guaranteed standards of service to its individual customers. The UR intends to review and modify NIE's Guaranteed Standards. The first stage in this review is to update NIE's licences to include a definition of a severe weather event. This decision paper sets out responses to the October 2014 consultation on these licence modifications and the Utility Regulator's consideration of responses. The paper also presents the Utility Regulator's final decision in relation to licence modifications. This paper also sets out details of the modifications to NIE's licences for the definition of a severe weather event and a formal licence modification notice is also included.

Audience

Electricity customers, consumer groups, electricity industry participants, statutory bodies and the wider stakeholder body.

Consumer impact

To provide transparency to customers so that they are aware of the limited circumstances under which NIE may be exempt from the guaranteed standards.

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Executive Summary

NIE has a set of minimum standards of performance it is obliged to meet (Guaranteed Standards of Service). These standards protect customers and provide for payments to be made to individual customers if set levels of performance are not met. The UR intends reviewing and modifying NIE's guaranteed standards. As part of this review the UR intends including a definition of a severe weather event within NIE's transmission and distribution licences.

The occurrence of a Severe Weather Event (SWE) may impact adversely on the normal service provided to customers and on NIE's performance. The legislation behind the guaranteed standards recognises that there may be exceptional circumstances when the standard may not apply and when NIE would not be required to make guaranteed standards payments – e.g. during a SWE.

At present, during severe weather when the number of faults affecting the high voltage network exceeds 13 times the normal operations, NIE claims an exemption from guaranteed standards. However, such an exemption is not guaranteed and customers may disagree with NIE's claim that it should be exempt which may lead to the matter being referred to the Utility Regulator for determination. Therefore, we consider that the inclusion of a definition of a SWE in NIE's transmission and distribution licences will increase transparency assist customers in being aware of their rights under Guaranteed Standards. The occurrence of such an event may exempt NIE from payment to customers for any loss of supply.

We consulted on proposed licence modifications to include the definition of SWE on 7th October 2014:

(http://www.uregni.gov.uk/publications/licence_modification_severe_weather_event)

and the consultation closed on 17th December 2014. Two responses to the consultation were received and the responses are published alongside this consultation.

We have considered consultation responses and propose to modify NIE's licences to include a definition of a severe weather event. The modification is the insertion of a definition of the term "severe weather event" within the existing conditions of the licence. Details of the licence modifications can be found in the Licence Modification Notice on page 11.

On enactment of licence modifications we will subsequently consider any

necessary changes to the guaranteed standards legislation – the Electricity (Standards of Performance) Regulations (Northern Ireland) 1993 in conjunction with the Department of Enterprise, Trade and Investment.

1. Introduction and Background

- (1) NIE has a set of minimum standards of performance they are obliged to meet. These are known as guaranteed standards of service (GSS). The standards outline specific measures that NIE must comply with when dealing with defined customer issues or queries. These standards protect customers and provide for payments to be made to individual customers if set levels of performance are not met.
- (2) We had signalled our intention to consult on matters around criteria for determining 'exceptional' weather events in our RP5 price control determination for NIE. This will involve review and consultation on any proposed modifications to the guaranteed standards. It will also include comparison with the GB network companies' guaranteed standards and consideration of appropriate alignment.
- (3) The first stage in this review is to update NIE's licences to include a definition of a severe weather event. Any such event would impact adversely on the normal service provided to customers and on the performance of the NIE transmission and distribution system.
- (4) The legislation behind the guaranteed standards recognises there may be exceptional circumstances when the standards may not apply. This would mean NIE would not be required to make guaranteed standard payments.
- (5) Currently, during severe weather when the number of faults affecting the high voltage network exceeds 13 times the normal operations, NIE claims an exemption from their guaranteed standards. An exemption however is not guaranteed and customers may disagree with NIE's claim to be exempt. This may lead to the matter being referred to the Utility Regulator for determination as a formal dispute.
- (6) Providing a definition of a severe weather event in NIE's licences will increase transparency; assist customers in being aware of their rights under the guaranteed standards and so help ensure these rights under the legislation are exercised.

2. Structure of Decision paper

- (7) This paper is structured in the following manner:

Section 3 covers the purpose of this paper.

Section 4 covers the main points raised by consultation respondents and our response to these.

Section 5 outlines our final decision and presents our Licence Modification Notice.

3. Purpose of the paper

- (8) In October 2014, we published a consultation document setting out proposed modifications to the NIE transmission and distribution licences to incorporate the definition of a Severe Weather Event therein. We invited responses from all interested parties.
- (9) Two responses were received from:
- Consumer Council for Northern Ireland
 - Northern Ireland Electricity.

The responses from the organisations above are non-confidential and have been published on our website along with this paper (www.uregni.gov.uk).

The following paper will discuss the main themes of responses along with our views. This will be followed by our decision on licence modifications.

4. Consultation responses

4.1 Consultation response - NIE

- (10) NIE made two main points in its consultation response. Below we set out NIE's response and the UR's reasoned consideration of the NIE's response.
- (11) NIE responded that the term 'average daily fault rate' within Appendix A paragraph 5(a) should be formally defined in order to 'give further clarity and transparency to the definition of a 'severe weather event.'

The UR has noted the suggestion from NIE relating to the definition of 'average daily fault rate.' The average daily fault rate should be the average daily fault rate (which excludes any faults associated with severe weather events) experienced by NIE's distribution high voltage network over the previous ten years.

- (12) NIE stated that with the exception of the requirement for a definition of average daily fault rate, it was in agreement with the proposed modifications and would give its consent to the modifications.

The UR notes NIE's acceptance of licence modifications.

4.2 Consultation response – CCNI

- (13) The CCNI raised a number of aspects within its consultation response. These are summarised below, with the UR consideration also included.
- (14) The CCNI stated that it recognises the benefit of using a CTN approach, particularly in calculating whether an incident had breached the CTN of 13 times the average daily fault rate. However, the CCNI considered that the UR had not provided sufficient evidence or information to support its CTN ratio and requested additional information in order to make an informed decision on whether the support the CTN. The CCNI requested additional information in the remit of methodology, assessment of impact on proposed definition on previous SWEs and comparison with GB.

The UR welcomes the fact that the CCNI have stated that they recognise the benefit of the CTN approach in calculating whether an event may be classified as a SWE. In response to the CCNI's consideration that the UR had not provided sufficient information, the UR has met with CCNI and discussed CTN. In addition, it has provided additional information in the area of methodology. The UR has informed the CCNI of its intention to conduct a wider review of GSS. The UR notes that the SWE definition is based on that which is

used in GB which will facilitate any comparison between Northern Ireland and the rest of GB going forward.

- (15) CCNI stated that in order to prevent NIE being exempted from its obligations on restoration times and issuing payments to affected consumers would be that NIE provides evidence of a sufficiently high number of faults in a 24 hour period.

We concur with CCNI's statement that in order to prevent NIE being exempted from its obligations relating to restoration times and payment of compensation, NIE should provide evidence of a level of faults in the relevant 24 hour period. Evidence of this nature would be required as a minimum to prevent NIE being exempted.

- (16) The CCNI suggested the UR measure, monitor and compare NIE's performance in SWEs to that of other network companies- particularly for RP6.

The UR welcomes the CCNI's response in this area and would note that it is the UR's intention to measure, monitor and compare NIE's performance in SWE's to that of other network companies for RP6.

- (17) CCNI expressed support for the 14 day notification window for the verification of SWEs.

The UR welcomes the expression of support from the CCNI for the 14 day notification window for verifying SWEs.

- (18) In response to whether respondents had any representations or objections with respect to the proposed modifications identified in the Licence Modification Notice CCNI stated that it considered the introduction of these 'proposals on GS' do not benefit customers and provided five principal reasons including:

- Removing incentives and obligations on NIE to restore supply in SWE.
- Deprive consumers of financial redress for the inconvenience and possible detriment.
- Fail to provide a physical definition of severe weather.
- Do not provide a methodology or supporting evidence for the proposed CTN.
- Do not provide any alignment with GB where three severe weather categories operate (The Electricity (Standards of Performance) Regulations 2010).

CCNI concluded that it could not 'support the implement of the proposals under this consultation in the context of a holistic approach to reviewing and approving electricity GS.'

The UR welcomes the CCNI response in this regard. However, the CCNI's response appears to relate to the wider issue of Guaranteed Standards which the UR will be investigating following the enactment of licence modifications. The consultation on which we requested feedback was the first stage in the process relating to GS – i.e. in relation to licence modifications to incorporate a definition of SWEs. However, we will note the CCNI response in this regard particularly in the context of Guaranteed Standards.

5. Our decision on licence modifications for SWE

- (19) Based on our reasoned analysis of consultation responses and other relevant factors we will be implementing the licence modifications to incorporate the definition of SWE within NIE's licences effective from 4th February 2015. The revised licences incorporating these aforementioned modifications may be accessed from the Utility Regulator website at: www.uregni.gov.uk. In addition, we present the licence modifications in our Licence Modification Notice below. An updated version of the NIE licences will be available on the Utility Regulator website at: www.uregni.gov.uk.
- (20) We will subsequently consider any necessary changes to the guaranteed standards legislation – the Electricity (Standards of Performance) Regulations (Northern Ireland) 1993 in conjunction with the Department of Enterprise, Trade and Investment.

LICENCE MODIFICATION NOTICE

NIE LTD TRANSMISSION AND DISTRIBUTION LICENCES

In pursuance of its powers under Article 14(1) of the Electricity (Northern Ireland) Order 1992 as amended ("the Order") the Northern Ireland Authority for Utility Regulation ("the Authority"), having obtained the consent of NIE, and having given notice of its intention to make the modifications proposed below, has decided to modify the licence(s) issued to NIE under **Article 10(1)(b)** of the Electricity (Northern Ireland) Order 1992 in the following manner:

Modifications to NIE Ltd Transmission and Distribution Licences

It is proposed to insert the following definition in Condition 1 of the Licence immediately before the definition of "Single Electricity Market":

A "severe weather event":

- (1) Means an event where a minimum, verified, number of incidents affecting the distribution high voltage network linked to severe weather conditions has occurred within a 24 hour period.
- (2) Is deemed to begin at the start of a 24-hour period when the number of incidents caused by the severe weather event at distribution high voltage in that period is equal to or greater than the commencement threshold number; and
- (3) Is deemed to end at the earlier of:
 - the time of restoration of the last customer off supply due to an LV incident linked to the severe weather event, or
 - the end of a 48-hour period that commences when the number of customers off supply due to high voltage incidents linked to the severe weather event has fallen to zero.
- (4) Where any conflict arises between this definition and the Regulations, the Regulations shall have precedence.

- (5) This definition shall come into force on such date as the Authority may direct and shall cease to have effect on such other date as the Authority may direct.

For the purposes of this definition:

- a) "commencement threshold number" means 13 times the average daily fault rate experienced by NIE's distribution high voltage network.
- b) "distribution high voltage" means 6.6kV, 11kV and 33kV.
- c) "incidents" are defined as any occurrence on the NIE distribution system or other connected distributed generation, transmission or distribution system, which:
 - Results in an interruption of supply to customer(s) for one minute or longer; or
 - Prevents a circuit or item of equipment from carrying normal load current or being able to withstand "through fault current" for one minute or longer.
- d) "weather conditions" means the effect of one or more of wind, lightning, rain, snow, ice, flooding, thermal heating and other recognised weather phenomena as the Authority may from time to time deem appropriate for inclusion in this list.
- e) "the Regulations" means the Electricity (Standards of Performance) Regulations (Northern Ireland) 1993, as amended or replaced.



Jenny Pyper

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

The above modifications will take effect from 4th February 2015.

