

Response to:

URs Call for Evidence on the Review of Electricity and Transmission Connections Policy.

ESB Generation and Wholesale Markets (GWM) welcome the opportunity to respond to the URs Call for Evidence on the Review of Electricity and Transmission Connections Policy.

We have set out our response to the questions in the Call for Evidence below.

Should you have any queries please don't hesitate to contact me.

Sincerely,

Warren Deacon

Grid Code and Market Specialist, ESB GWM

10th January 2017

Q1. Do you agree with these strategic priorities?

ESB GWM agrees with the strategic priorities outlined.

It has been customary in documents on connection policy to formally include the principle that non-discrimination¹ under which the system operators operate. We would suggest that, as good practice, this principle should be referenced in the final document.

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

ESB GWM would suggest that developments in the I-SEM should be taken into consideration. A key tenent of the I-SEM, particularly the Capacity Remuneration Market, is that market signals will incentivise efficient exit and new entry of generation. It is our view therefore that Connections Policy process needs to be appropriately designed so that efficient new entry to the market can obtain a connection offer in a timely and flexible way. The interaction between the CRM auction process and the connection process therefore needs careful consideration (both timing and qualification criteria) so that the market signals from the I-SEM deliver what is needed as soon as is practicable rather than being frustrated by speculative applications or an overly rigid process.

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?

Given the limited amount of spare capacity on the NI network, an efficient and cost effective way to maximise the use of the existing network would be to allow an existing connected party to collocate a different technology at existing generation site with a low load factor. ESB GWM welcomes the current work being undertaken by the SOs to develop a process for existing sites seeking to collocate but notes that it is unlikely that any renewable projects will be co-located due to NIRO support scheme deadline unless grid works are required.

Q4. Should we review the distribution charging framework, with a view to making connection charges deeper? If so, how should this be designed? What are the benefits, costs and risks of doing so?

The current charging structure already creates a locational signal for generators given that they are required to pay the deep reinforcement costs at the voltage level they are connecting at and one voltage level above. Therefore, on the face of it, it would appear that the only benefit of making connection charges deeper would be to remove the contribution of other network consumers to the cost of the reinforcement.

Any proposal to move to an even deeper charging structure is a complex question, requiring in our view, further analysis and engagement with industry, particularly around the unintended consequences moving to a deeper charging structure may

¹ Avoiding undue discrimination and undue preferential treatment.

create. One such example that would need to be addressed is the situation that will arise once the network is at 'full capacity' and the next relatively small distribution level generator application seeking to connect requires significant deep reinforcement at transmission level. Such a project would now be faced with unfeasibly high connection costs. In a scenario where there is a clear market signal for entry (DS3, energy or capacity market), this would be perverse and would have to be addressed in some way. The scale of costs involved and their impact in undermining any business case, means that a rebate structure similar to that used at domestic level would not be an adequate solution.

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

In the SONI / NIE Alternative Connection Application and Offer Process Proposal Consultation Paper earlier this year, a Batch Process was proposed to deal with the surge in applications being received. Fundamentally we believe that a Batch Process is only needed where there is potential for significant number of applications at a single point in time such as with the introduction of a subsidy. At other times connection policy can rely on market signals so long as there is sufficient minimum requirements for applicants in place. Rationing of connections (i.e. a gate process) is not an effective means by which to incentivise dynamic investment behaviour.

Consequently ESB GWM believes that the current sequential process in place is effective and fit for purpose. The surge in applications has occurred as a direct result of the removal of planning permission as a pre-requisite for applying for a connection. This pre-requisite should be re-introduced as soon as possible. However we do acknowledge that this could take a number of years given that legislative change is likely to be necessary and therefore we would support interim measures until such time that it is re-instated. If it will not be possible to re-introduce planning permission then proportionate measures should be introduced to ensure that speculative or capacity hoarding applications are not being made. Examples of alternative requirements would be specific timelines for achieving certain milestones such as planning permission upon receipt of a connection offer and/or adequate bonding arrangements so that both parties are committed to the process and incentivised to complete it on schedule. Otherwise speculative applications will likely result with subsequent hoarding of capacity and will frustrate the process at a time when there may be clear entry signals from the market (both I-SEM and in DS3).

Q6. Should we consider connections customer service, engagement and pricing transparency as part of this review? What are the issues which need addressed and potential solutions?

ESB GWM notes that the proposal to consider deeper connection charging policy for distribution applications would make it increasingly difficult for applicants to predict what costs they may face. Further, given the range of costs and works that might be required it seems that it would also be increasingly difficult for the DNO to give the applicant an accurate charge structure at the point of offer when compared to what the actual out turn costs will be.

Q7. Are there other issues we should review? Which issue(s) are in your view the most material and why?

ESB GWM has no comment.