

# A: ELGIN ENERGY'S OVERVIEW RESPONSE TO NIAUR CALL FOR EVIDENCE ON A REVIEW OF ELECTRICITY DISTRIBUTION AND TRANSMISSION CONNECTIONS POLICY

The Northern Ireland Renewables Obligation (NIRO) has been a hugely successful scheme since its inception in 2005. Northern Ireland is now a world leader in renewable electricity, with huge knowledge and experience gained across all functions of the renewables sector.

The end of NIRO does not represent the end of the Northern Ireland renewables industry. Although challenges lie ahead, there is a strong future for renewables in NI, through the introduction of long term connection policies, efficient and cost-effective connections and innovative practices.

## 1. Introduction

1.1. This is the response submitted by Elgin Energy ("Elgin"). Elgin is a member of the Irish Solar Energy Association ("ISEA") who are submitting a response to the consultation. Whilst Elgin broadly supports the position set out in their response, it constitutes the collective views of all the members within the organisation. Where there is a disparity between the response of this group, on the one hand, and Elgin's response, on the other, the latter more accurately reflects Elgin's position and takes precedence.

## 2. Background

- 2.1. On 30 July 2015, the Northern Ireland Authority for Utility Regulation ("NIAUR") issued a Determination (DET-572) stating that Northern Ireland Electricity Networks ("NIE") was no longer entitled to require the grant of planning permission as a pre-requisite to applying for connection to the grid in respect of offers concerning the distribution of electricity, as had been NIE's settled and consistent policy.
- 2.2. On 12 August 2015, NIE consequently changed its policy and procedure for grid connection applications, removing the requirement for planning permission before a grid connection application could be made. Further to the significant increase in applications for connection to the distribution network received by NIE, on 17 November 2015, NIE and the Systems Operator Northern Ireland ("SONI") introduced a moratorium on all past (and future) grid connection applications until at least 31 May 2016 ("the Moratorium").
- 2.3. On 31 May 2016, NIAUR issued a Decision Paper on the 'Alternative Connection Application and Offer Process Proposal' which allowed any remaining capacity on the network to be used. It also introduced a mechanism to enable 'over-installation' and 'zero export' schemes to connect to the grid. This approach was known as Phase 1 and was in principle, largely supported by Elgin.



- 2.4. This consultation addresses the long term connection policy in NI and addresses current Phase 2 grid applications which failed to receive offers under the Phase 1 approach. The outcome of this consultation will address these points and how future applications will be dealt with going forward
- 2.5. Phase 2 impacts on a number of grid applications made by Elgin, which were submitted on 13 August 2015.

## 3. Long-Term NI Connection Policy

- 3.1 Elgin believes a review of the NIAUR's legislative powers/functions is essential so NIAUR can implement connection policy rather than just ensuring that current license requirements are implemented. The way in which electricity is delivered is progressively changing and NIAUR must have the power to modify and refine connection policy. NIAUR functions must match those of Ofgem in GB and particularly the Commission for Energy Regulation (CER) in ROI as we move into I-SEM and DS3.
- 3.2 Elgin believes that the requirement to have planning permission in place before a distribution application can be made should be permanently re-introduced. Due to the uncertainty on long term connection policy in NI, Elgin would support retaining the Phase 1 decision on the planning permission pre-requisite for distribution applications until such time the NIAUR's legislative powers/functions has been reviewed or the appropriate legislation on planning permission pre-requisite has been implemented.
- 3.3 Elgin supports maintaining the clustering approach as the methodology for developing shallow transmission assets. Elgin also believe that the Project 40 workstream on clusters (among other Project 40 work streams) should be restarted with full regulatory engagement to reach a clear position on cluster policies.
- 3.4 Elgin supports restarting the transmission network planning process to facilitate the development of the wider transmission system. A transmission development plan must be brought forward by NIE/SONI. Transmission reinforcements must be developed to allow increased network capacity, reduce constraints and to allow future opportunities such as new smart grid and storage technologies to progress.
- 3.5 NIAUR must facilitate NIE/SONI in developing innovative practises. Elgin believe the introduction of innovative methods such as Active Network Management (ANM), Special Protection Schemes, review of safety factors to allow greater network capacity and technology dependent bespoke managed connections is important. Each of these ideas are currently being introduced across each of the GB DNO's.
- 3.6 Elgin believes the 25MW cap on zero export schemes should be removed. As Northern Ireland attempts to attract large scale investment and to grow existing industries, private wires are fundamental way of reducing high electricity costs. An increase in investment in Northern Ireland will have knock on effects for the wider NI economy, in terms of business and employment.



- 3.7 Elgin supports the introduction of a working group to deliver a long term connections policy for NI. Any working group should include the Department for the Economy, NIAUR, SONI, NIEN and other industry experts.
- 3.8 Elgin does not consider that the Batch Process as set out in NIE and SONI's consultation paper dated 4 March 2016 is an appropriate solution for NI connection policy going forward. Elgin understand that the proposed Batch Process was not supported in previous consultation responses across both the LSG (Large Scale Generation) and SSG (Small Scale Generation) industries. Elgin's reasons are set out below;
  - Any proposed Batch policy could be undermined in the same way as Determination (DET-572) if it is not underpinned by the necessary changes to the System Operator Licences.
  - All grid applications will be treated as if they have been received at the same time. Developers who have acted prudently in submitting their applications at the earliest opportunity will be automatically disadvantaged under the proposed Batch Process.
  - Any introduction of a Batch Process (or gate type process) allows speculative or 'ghost' projects into the application system. Many of the 'ghost' projects are unlikely to be developed, however they will be included in distribution and transmission plans and drive the need for inappropriate grid infrastructure and unnecessary grid upgrades. Lessons learned from the gate process adopted in the Republic of Ireland should be reviewed in detail before any decision is made on establishing a similar style Batch Process in Northern Ireland.
  - The introduction of a Batch Process creates huge financial risk and uncertainty for each project. Should a project fail to gain planning consent within a proposed shared connection asset, the other parties are automatically at risk for the non-performing party. This type of scenario erodes investor confidence and creates uncertainty for funders in the market place.
- 3.9 Elgin supports the decision to retain the planning permission pre-requisite for transmission connection applications.



# B: ELGIN ENERGY'S RESPONSES TO QUESTIONS ASKED TO NIAUR CALL FOR EVIDENCE ON A REVIEW OF ELECTRICITY DISTRIBUTION AND TRANSMISSION CONNECTIONS POLICY

4. Responses to Questions in Consultation Paper

# 4.1 Do you agree with these strategic priorities?

## Efficient and cost-effective connections

A robust regulatory framework which allows NIAUR the authority to introduce, amend and modify connections policy in line with the CER in ROI and Ofgem in GB is crucial for long term connections policy in NI.

Variations to traditional connection requests will continue to challenge the distribution and transmission network. It's essential that NIAUR are in position to facilitate NIE/SONI in adapting to the increase penetration of renewables, storage, smart meters, co-location, over-installation and zero-export schemes so these new ideas/technologies/practices can be delivered in an efficient and cost-effective way.

#### High levels of quality of service and transparency in the provision of connections

In GB, there is greater transparency with regard to network capacity and generator connections. Through work undertaken by the Distributed Generation Fora over the last number of years, each GB DNO now electronically publishes up-to-date heat maps (at all voltages levels), substation data information and contracted generation lists. Due to data protection concerns, this information is not currently provided in NI. To create higher level of service and a more transparent connections policy, this type of information must be provided by both NIE and SONI.

## Maintains or improves secure supply of electricity in NI

The end of NIRO does not represent the end of the Northern Ireland renewables industry. There is a strong future for renewables in NI. The implementation of Phase 1 has been successful in allowing further capacity to connect ahead of 31<sup>st</sup> March 2017. As an industry, we must now re-focus on Phase 2 applications and find ways to keep growing the renewables industry through efficient and cost-effective connections. NIAUR must actively facilitate the delivery of connections to allow our 2020 targets and now the Paris Agreement 2016 commitments to be reached. It should not be assumed that the grid capacity issued under Phase 1 will automatically lead to all related projects being delivered in time to meet the 2020 targets.

## Timely, robust and flexible connections process

Elgin believes a review of the NIAUR's legislative powers/functions is essential so NIAUR can implement connection policy rather than just ensuring that current license requirements are implemented. The way in which electricity is delivered is progressively changing and NIAUR must robustly have the power to modify and refine connection policy without requiring



legislative changes. NIAUR functions must match the Commission for Energy Regulation (CER) in ROI as we move into I-SEM and DS3. One example relates to rebating policy, which the CER has been robustly able to amend several times since it started to regulate connection policy in 1999.

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

## Changes in electricity supply and demand

The requirements needed for a generator to connect or for demand customers are gradually evolving. New variations include storage, co-location, managed connections, over-installation and zero export connections. On the demand side, customer requirements are moving towards a controllable demand model. A review of NIAUR role must be expedited to ensure Northern Ireland has the appropriate ongoing long term connection policy which can be managed and readily adapted for connection and demand variations.

As an industry, we must now re-focus on Phase 2 applications and find ways to keep growing the NI renewables industry and to facilitate the delivery of connections to allow the 2020 targets to be reached.

#### Recent developments

It is stated incorrectly that "*many areas of the network have little or no capacity left to carry additional electricity*". At times of high renewable generation and low demand, the transmission network is indeed saturated and renewable generators are constrained. However, the opposite is also true, that at times of higher demand and lower renewable generation it's possible to carry additional capacity.

NIAUR must facilitate further innovative practices, one example is in relation to wind and PV and how both types of generation can work together under one grid connection. Construction of more network assets across NI is required so opportunities to increase network capacity with new smart grid technologies, storage or controllable demand can be accommodated.

Transmission reinforcements need to be delivered to reduce constraints, including those renewable generators that have already accepted connection offers. SEM shallow access policy to provide firm access for generators must be applied

Elgin understand that European Network Codes may require controllability of sub-100kW generation by 2018.

#### Future developments



This consultation paper refers to the fact that investing in more network capacity is expensive and increases wider network consumer bills. Poyry research suggests the opposite effect happens as highlighted in the *"Poyry: the value of wind energy to Ireland – March 2014*"(1) report which suggests that if Ireland deploys enough wind capacity to meet 2020 targets, the wholesale price will fall by  $\in 2.10$ /MWh.

Elgin support both the development of the North-South Interconnector and the DS3 programme. Elgin also welcome the introduction of contestability to Northern Ireland.

As highlighted previously, each of the work streams associated with Project40 should be restarted as they can form an integral part of the connection policy discussion going forward.

Elgin believe NIAUR must facilitate NIE/SONI in developing innovative practice for new connections (possibly through more efficient price controls via RP6) and NIAUR should be able to provide the appropriate support as we naturally transition to more efficient network management.

# 4.3 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.

As Northern Ireland moves to a more decentralised system, NIAUR must have the appropriate powers to facilitate NIE/SONIs transition to managed connections, colocation, over-installation and zero-export schemes. NIAUR must be able to accommodate Northern Ireland customer's ever increasing demand for new functions such as storage, smart meters, and controllable demand. Long term connection policy must be able to adapt as effective network management becomes normal practice.

# 4.4 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?

Elgin supports restarting the transmission network planning process to facilitate the development of the wider transmission system. A transmission development plan must be brought forward by NIE/SONI. Transmission reinforcements must be developed to allow increased network capacity, reduce constraints and to allow future opportunities such as new smart grid and storage technologies to progress.

Elgin believe there should be a progression to deeper distribution charging policy (less than 33kV).

Elgin supports maintaining the clustering approach as the methodology for developing shallow transmission assets. Elgin also believe it's essential that the Project 40



workstream on clusters is restarted. For example, as an industry we are still unsure on policies relating to second transformers at cluster locations.

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

Elgin would support retaining the Phase 1 decision on the planning permission prerequisite for distribution applications until such time the NIAUR's legislative powers/functions has been reviewed or the appropriate legislation on planning permission pre-requisite has been implemented.

Elgin note that there are a limited number of connection offers with full planning permission currently held by NIE and that their release should not cause significant impacts on capacity. It's important that NIE continue to release grid offers beyond Feb 2017 (end of Phase 1) to ensure 2020 targets are achieved.

Should the planning permission pre-requisite remain, Elgin believe all potential applicants should be allowed to apply for a distribution/transmission connection at any time whether planning permission has been obtained or not. Connection offers should not be issued until the milestone of achieving planning permission has been obtained.

Elgin believe appropriate milestones similar to those outlined in the "ENA Fair and Effective Management of DNO Connection Queues: Progression Milestones"(2) consultation should be implemented with regard to project delivery to ensure schemes are efficiently progressed to construction phase and to also avoid 'hoarding' of capacity on the network.

# 4.6 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?

Elgin would support NIE having a more active involvement in the GB Distributed Generation Fora, which has been a successful collaboration between all GB DNO's since its inception in 2013. It has contributed to greater customer service and allowed for a standardised approach to embedded generation connections across the industry.

To achieve the required results, a robust regulatory framework must exist to allow NIAUR greater control of connection policy. As one example, there is an urgent need to change the rebating policy in NI, which can only take place if a legislative change is introduced. The NIAUR must be able to modify such policies without requiring legislative changes.

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

• The end of NIRO does not represent the end of the Northern Ireland renewables industry. There is a strong future for renewables in NI.



- Elgin believes a review of the NIAUR's legislative powers/functions is essential so NIAUR can implement connection policy rather than just ensuring that current license requirements are implemented.
- Elgin would support retaining the Phase 1 decision on the planning permission pre-requisite for distribution applications until such time the NIAUR's legislative powers/functions has been reviewed or the appropriate legislation on planning permission pre-requisite has been implemented.
- Elgin supports maintaining the clustering approach as the methodology for developing shallow transmission assets. Elgin does not support the batch process. Elgin also believe that the Project 40 workstream on clusters should be restarted.
- Elgin believes 25MW cap on zero export schemes should be removed.
- Elgin supports restarting the transmission network planning process to facilitate the development of the wider transmission system. A transmission development plan must be brought forward by NIE/SONI. Transmission reinforcements must be developed to allow increased network capacity and reduce constraints.
- Elgin believe NIAUR must facilitate NIE/SONI in developing innovative practice for new connections (possibly through more efficient price controls via RP6) and NIAUR should be able to provide the appropriate support as we naturally transition to more efficient network management.
- Connection policy should prioritise DS3 projects, including storage projects that can provide relevant services. In 2016 the Republic of Ireland made the decision to give priority to DS3 projects. Any similar policy implemented in NI should include options for co-location.
- As an industry, we must now re-focus on Phase 2 applications and find ways to keep growing the renewables industry through efficient and cost-effective connections. NIAUR must actively facilitate the delivery of connections to allow our 2020 targets and now the Paris Agreement 2016 targets to be reached.



# References

- 1. Poyry (2014) "The Value of Wind Energy to Ireland Irish Wind Energy Association" www.iwea.com/index.cfm/page/industryreports?twfId=1467&download=true
- ENA (2016) Fair and Effective Management of DNO Connection Queues: Progression Milestones – Consultation Decision Paper -<u>http://www.energynetworks.org/assets/files/news/consultation-</u> <u>responses/Consultation%20responses%202016/Queue%20Management%20Milesto</u> <u>nes%20consultation%20April%202016%20-%20FINAL.pdf</u>