

ELGIN ENERGY'S RESPONSE TO NIAUR REVIEW OF ELECTRICITY DISTRIBUTION AND TRANSMISSION CONNECTIONS POLICY CONSULTATION

15 May 2017

1. Introduction

Elgin Energy welcomes the opportunity to further engage with NIAUR on the future of grid connection policy in Northern Ireland and hope to continue to add value to this consultation through our knowledge and experience of the solar PV industry in the UK and Ireland.

Elgin has vast experience in developing PV projects in the UK and have worked closely with many of the distribution network operators (DNOs) over the past seven years and fully understands the challenges faced by NIAUR, SONI and NIE in operating a safe, secure and reliable infrastructure for future generations.

Elgin welcome this further NIAUR consultation but have concerns about the limitations of the review. 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 appropriate long term connection policies, efficient and cost-effective connections and innovative practices. Key issues exist that require additional consideration such as long term network development and an overall long-term NI energy strategy.

Allowing the refusal of connection offers based on lack of capacity will restrict the continued development and progression of Northern Ireland's modern economy. The lack of renewable energy development will also impact negatively on future consumers. As the capital costs of PV and wind continue to decrease and become cheaper than conventional sources, renewables (alongside storage) will become the preferred generation choice, naturally decarbonising the electricity system. This will inevitably reduce electricity costs for consumers in the long run (1). For this reason, it is imperative that the connection of renewables is continued and facilitated.

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 due 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. On 9 November 2016, NIAUR issued a Call for Evidence on the ‘Electricity Distribution and Transmission Connections Policy’ which addressed long term connection policy in NI.
- 2.5. This consultation dated 3 April 2017 issued by the NIAUR, builds on the November 2016 call for evidence and aims to address Phase 2 grid applications, of which a number were made by Elgin in August 2015 and NI connection policy going forward.
- 2.6. Through this consultation, the NIEN RP6 Final Determination, the forthcoming SONI Transmission Development Plan and the proposed Department for the Economy Energy Strategy, we believe the following 3 key objectives must be met;
 - i. Appropriate connection policy in the short-term with a robust long-term policy which facilitates generation connection
 - ii. Continued growth of the NI electricity network for the modern economy
 - iii. Further strengthening of current network to provide firm access for committed generation

3. Appropriate Short-Term Policy/Enduring Long Term Policy

- 3.1. Elgin believes a review of the NIAUR’s license 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 welcome the way in which ‘Phase 1’ and ‘Phase 1 Extended’ offers were progressed by both the NIAUR and NIE. We would support retaining the Phase 1 decision on the planning permission pre-requisite for distribution applications until such time the NIAUR license has been reviewed or the appropriate legislation amended regarding NIAUR’s license.
- 3.3. For the avoidance of doubt, the planning permission requirement should not be a single legislative change but should form part of a revised connections policy introduced by the NIAUR under their updated license.

- 3.4. Elgin believe all potential applicants should be allowed apply for a distribution/transmission connection at any time regardless of whether planning permission has been obtained or not. Connection offers should not be issued until the milestone of achieving planning permission has been obtained.
- 3.5. Elgin supports the introduction of a working group to deliver this robust long-term connections policy for NI. Any working group should include the Department for the Economy, NIAUR, SONI, NIEN and other industry experts and should include discussions on appropriate milestones similar to those outlined in the “*ENA Fair and Effective Management of DNO Connection Queues: Progression Milestones*” paper. These types of milestones should be implemented to ensure schemes are efficiently progressed and to also avoid ‘hoarding’ of capacity on the network.
- 3.6. 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.
- 3.7. 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. Each of these ideas are currently being introduced across each of the GB DNO’s.
- 3.8. Elgin strongly 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 employment and business.

4. Continued growth of the NI electricity network for modern economy

- 4.1. The Department for Business, Energy & Industrial Strategy (BEIS) have determined that solar PV and wind will be cheaper than conventional sources by 2025 (2). For the protection of future consumers, it’s imperative that continued provisions are provided to allow the grid accommodate and transmit increasing amounts of the cheapest forms of electricity generation.
- 4.2. Considering Northern Ireland’s legally binding 40% 2020 target and the potential increase in energy usage with the growth in electrification required for the heat and transport industries, transmission planning is critical for the growth of NI’s modern economy.

- 4.3. Northern Ireland is also facing a generation deficit, as the uncertainty continues with the North-South Interconnector and the closing down of a large coal-fired NI power station in 2021. These challenges will require continued generation connections, alongside increased storage and Demand Side Units (DSU) connections.
- 4.4. Without a transmission plan, connections cannot be effectively implemented and investment in NI electricity generation will cease. To overcome some of the challenges presented above, substantial expansion of the 275kV transmission system is required to allow greater generation capacity and to provide a robust future-proofed network for both generators and consumers.
- 4.5. Elgin understand the problems NIAUR, NIE and SONI face with regard to speculative or 'ghost' grid applications. We support the introduction of stronger financial commitments to avoid grid 'hoarding', which in turn will allow earlier financing of network upgrades and network development. However, we strongly disagree that connection offers requests can be refused based on lack of capacity. This in effect means that the Northern Ireland electricity market is closed to new generation. Refusing a connection offer request means a significant barrier to entry in the SEM. As the all-island market does not exclude new generation there should therefore be no barriers to market entry in NI.
- 4.6. Planning for future generation connection is a requirement for a competitive electricity market. As we move into a subsidy-free environment, projects will be developed based on market indicators. Any potential future network must enable this competition in the SEM and future I-SEM.
- 4.7. Given that the industry's main concern is lack of investment in transmission planning, network growth and firm network capacity, Elgin strongly disagree with the reduction in transmission investment of £9m per annum in RP6 against RP5. Further to this, we disagree with the overall methodology for transmission approvals on a project-by-project basis.
- 4.8. The development of a transmission plan must now take priority. Transmission development and 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.
- 5. Further strengthening of current network to provide firm access for committed generation**
- 5.1. There is a shortfall between committed renewables generation and the transmission reinforcements required to provide firm access. NIAUR must fulfil its requirement under SEM Generator Connection Policy Decision Paper AIP/SEM/114/06 to provide firm access to generators with connection agreements.

5.2. There is 1275MW of renewable generation connected to the grid in NI and a further 490MW committed to connect. Of this, 173MW has been offered and connected through Phase 1 of the Alternative Connection Application and Offer Process. These projects must be given firm access.

5.3. The requirement for further reinforcements to deliver firm access to committed projects is an all-island policy, agreed by NIAUR in its role in the SEM Committee. It is also a requirement under EU directive 2009/28/EC, which requires member states to:

“take the appropriate steps to develop transmission and distribution grid infrastructure, in order to allow the secure operation of the electricity system as it accommodates the further development of electricity production from renewable sources.”

5.4. We recommend that NIAUR fulfil its obligations to providing firm access for all committed renewables generation.

6. Elgin Comments on Selected Points Raised

Connections network management

Utilising network capacity

1.16 Using current network capacity more efficiently could remove the need for reinforcement.

Elgin support using current network capacity through innovative practices where possible but unfortunately this will neither be sufficient for new generation proposed nor provide firm access for existing generation. Variations to traditional connection requests such as generation, demand, storage and DSR projects will continue to grow in NI and the network must progress forward to enable this and facilitate competition in the SEM and future I-SEM.

There is an urgent need for a comprehensive plan for network reinforcement and SONI, NIAUR, NIE and the Department for the Economy must address this need through an appropriate NIEN RP6 Price Control, SONI Transmission Development Plan and a new Energy Strategy.

Recovering network capacity

1.25 There is some under-utilisation of capacity and NIE should look at options to release consistently under-utilised capacity.

Elgin supports this approach. Further research is required through RP6 to accommodate solar and wind in the same grid connection, which in turn could free some capacity on the network.

Building more network capacity

1.15 Building reinforcement to increase capacity may be inefficient and could lead to investment in capacity which may not be required.

Elgin strongly disagrees with this approach to network planning and is unlikely to protect future consumers. We have detailed our concerns on this in section 4 above.

1.29 Will engage with SONI on releasing further transparency in relation to proposed network investment.

It is unacceptable that there is no long-term transmission plan in place or under development. Without a transmission plan, generation plant will not be built and investment in the NI electricity sector will cease. SONI must produce a transmission plan as quickly as possible, while at the same time the NIAUR / DfE must develop a clear energy strategy that allows continued investment in NI, allows responsible long-term planning, while at the same time protecting future consumers.

Connections charging framework

1.32 No plan for further review of the connections charging structure to make it deeper.

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

1.35 Agree with principle of rebates and will seek to do so again with Department in parallel with this consultation

SONI has the ability to enable rebates, whereas NIE does not. This is unfair treatment that must be resolved by NIAUR and DfE as soon as possible.

Connections process and queue

Planning permission

1.44 Open to engaging with the Department should there be a rationale to introduce legislation for planning permission

The planning permission requirement should not be a single legislative change but should form part of a revised connections policy introduced by the NIAUR (and NIE) under new legislation allowing NIAUR greater control over connection policy

1.46 NIE/SONI could use Planning Permission as a factor in determining terms and conditions of connection offers i.e. use it as a requirement within the regulatory framework

Elgin believe Phase 2 offers (similar to Phase 1) should have a requirement for planning permission. Elgin believe all potential applicants should be allowed apply for a distribution/transmission connection at any time regardless of 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 the requirement for planning permission could form part of a number of milestones to avoid speculative grid applications and the potential for hoarding.

Prioritisation of connections

1.48 Certain technologies, such as storage, may be connected before others, if it can be demonstrated that it would not be to the detriment of other applicants.

Elgin are unable to comment further on prioritisation of connections without seeing detailed proposals.

1.51 Next step is for NIEN and SONI to ensure a robust process is in place for considering new applications beyond Phase 1

Elgin note that existing applications should not be considered 'new'. A timeline for Phase 2 offers is now critical.

SONI Offer timelines

1.57 Could assess licence mods to allow SONI more time to make connection offers for 'complex offers'

Considering the planning requirement for SONI applications remains. Elgin believe there should be no need for additional time to respond to offers. If an extension is requested by SONI, this must be an exception and a clear set of criteria must exist for requesting the extension.

Customer service, engagement and transparency

Pricing transparency

1.65 A Quotation Accuracy Scheme could allow for more accurate and comparable connection offers.

Elgin strongly welcomes this proposal.

Network and generator information

1.68 Better information could provide clearer signals to those who wish to connect.

Elgin strongly welcomes this proposal.

Extension and connection offer requirements

Criteria and requirements for considering and requesting extensions

2.12/2.13 Granting requests for extensions should be the exception rather than the norm. There has been limited transparency or accountability to date in how extensions are requested and granted

Elgin agrees

2.20 A four-step process has been proposed

Process seems too slow

Initial considerations on refusal to provide a connection offer

2.33-2.39

Elgin are extremely concerned by these proposals to facilitate the refusing of connection offers. The lack of a transmission development plan, together with the potential for NIE to refuse to process a grid application is alarming and will further erode investor confidence in Northern Ireland.

Without the option for NIE to invest in deep reinforcements, grid applications will continually be refused. It means there will never be a robust business case for network reinforcement upgrades for NIE to present to the NIAUR.

Presumably a vicious circle will exist as NIEN will request funding under the D5 mechanism to develop transmission upgrades only when a number of grid application refusals have occurred in a locality. In the meantime, investment in those schemes slows or ceases, while the NIAUR inevitably refuses the reinforcement works on the basis that there are no confirmed schemes and no confirmed need for these works.

We instead urge that a clear and comprehensive transmission development plan be put in place to allow connection of viable generation, load, DSR and storage projects as soon as possible.

7. References

1. Poyry: the value of wind energy to Ireland – March 2014 - https://www.google.ie/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwiXsMTZw_HTAhUfOsAKHTyICm8QFqgmMAA&url=http%3A%2F%2Fwww.iwea.com%2Findex.cfm%2Fpage%2Findustryreports%3Ftwfld%3D1467%26download%3Dtrue&usq=AFQjCNHtSWyRAnIbn9INMzOohxS_b_OOQ&sig2=aZuaxZfUCSt9uA1CNUyS4w
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