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Briege Tyrie
The Utility Regulator
Queens House
14 Queen Street
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BT1 6ED

Our Ref: DV01-012776

23 February 2016

Dear Briege,

Re: RES response to Draft Forward Work Programme 2016-2017

RES is the UK's largest independent renewable energy developer with interests in onshore wind, wave and tidal, offshore, solar, energy storage and demand-side response. A wholly owned UK company at the forefront of innovation and design around the world, RES now employs over 1000 people and has built over 1000MW of wind energy assets in the UK – around 10% of the UK's total installed capacity. We therefore welcome the opportunity to contribute comments Utility Regulator's Draft Forward work programme 2016/2017.

Since developing our first onshore wind farm in Northern Ireland in the early 1990s, RES has subsequently developed and/or constructed 16 onshore wind farms totalling 229MW. This equates over 37% of Northern Ireland's onshore wind capacity. RES currently operates over 83MW of wind capacity across Northern Ireland, has secured planning permission for a further 112MW awaiting construction and has 56MW in the planning system. In addition RES has a very strong onshore wind pipeline of 177MW in Northern Ireland.

Based in Larne, County Antrim, RES' Northern Ireland team comprises 25 staff covering environmental, planning, technical, legal, commercial, project management, construction, operations and administration disciplines.

The Utility Regulator work programme is instrumental in ensuring that Northern Ireland balances the costs to the consumer and security of our energy supply. The work of the Utility Regulator impacts directly on the wider economic prosperity of Northern Ireland, affecting investment and critical infrastructure development as well as influencing the capability of the private sector to compete in UK, European and Global markets. RES understands that the Utility Regulator has a number of competing priorities, which are set out in its 'flagship' business plan projects. RES' comments specifically relate to those under strategic objectives two and three, and we are disappointed to see that there is no acknowledgement of the Utility Regulator's role in the delivery of cluster connections anywhere within the forward work programme. Given this omission, RES does not feel that for the year 2016-2017 that the Utility Regulator has identified all the right projects.

Questions:**1. Whether we have identified the right projects**

RES wishes to make the following observations in relation to the projects identified:

I-SEM (Flagship Project 4 – Objective 2:1)

We see the Utility Regulator's role in delivering the new I-SEM as pivotal and agree that this should be included as a 'flagship' business plan project. Given the importance of wind in the system and its ability to lower prices, the new I-SEM design must allow renewable energy to participate fully in the new market, with appropriate mechanisms in place to permit energy from wind farms to be bought and sold in the market. We would be keen to see the I-SEM offer similar arrangements to the SEM which enabled renewables to participate successfully and a capacity remuneration mechanism which rewards onshore wind appropriately and needs to be fully linked with DS3.

We are concerned that the I-SEM arrangements will not compensate wind generators for constraints unless they participate in the day-ahead market. In participating in the day-ahead market generators are exposed to imbalances. We are concerned that the risks in Northern Ireland are potentially greater due to the technical challenges facing the Network Operators. As result we would hope that this is considered in the Utility Regulator's workstream on this project.

DS3 (Flagship Project 4 – Objective 2:2)

RES sees that the objective with the DS3 arrangements is that they must deliver the necessary system services and any required investment for services to facilitate the achievement of the 2020 renewable targets and minimise curtailment. The delays that have been seen to date in increasing the System Non-Synchronous Penetration (SNSP) on the electricity system are of serious concern to the wind industry, and wind generators are likely to see increasing levels of curtailment if these system services are not introduced in a timely manner, thereby putting the 2020 renewable energy targets at risk. It should also be recognised that the market re-design currently underway, along with changes to the capacity remuneration mechanism, bring a lot of uncertainty for generators in relation to forecasting revenues in the coming years.

Early in 2009, EirGrid and SONI (EirGrid group) initiated a suite of studies - entitled the Facilitation of Renewables - designed to examine the technical challenges with integrating significant volumes of windfarms onto the power system of Ireland and Northern Ireland. Whilst progress has been made in understanding the problem we are still a considerable distance from investment in the system services which are required to operate the system at higher levels of SNSP. The wind industry will face financial exposure from curtailment from 2018. While the detailed information is currently not available in relation to the volumes of system services required, RES believes that the volume of system services necessary for the facilitation of higher levels of SNSP will not be achieved with the proposed DS3 arrangements. RES is concerned at the level of complexity associated with the DS3 System Services workstream, and is particular in relation to the auction design. The level of complexity gives rise to uncertainty in the revenue streams associated with the provision of services. In order to develop an investment case there needs to be a clear understanding of the investment case and the process which should be kept as simple as possible.

Contestability (Objective 2:7)

RES would encourage the Utility Regulator to maintain pressure on the current contestability work plan with a view to future acceleration - given the ability for this area of work to promote a drop in prices and reduce connection times. We would also encourage the Utility Regulator to monitor the progress being made in Great Britain and seek to reflect positive elements in the model for Northern Ireland.

Security of Supply (Flagship Project 8, Objective 3:2)

RES strongly encourages the Utility Regulator to work closely with DETI and SONI to urgently implement measures to secure the security of supply of electricity to Northern Ireland. This needs to be coupled with work on the future mix of generation for Northern Ireland and work on our energy vision. The All-Island Generation Capacity Statement 2015-2024 makes it very clear that Northern Ireland faces a very real threat to security of supply. Medium-term solutions have been found by extending the life of fossil fuel generation, which adds to the issues of decarbonisation. With decarbonisation pressures on other fossil-fuel generation, Northern Ireland will fall into electricity production deficit by 2021.

RES fully agrees in the role that the North-South interconnector will play in contributing to the security of supply for Northern Ireland - this is a high priority project and its completion and commissioning must be addressed as a matter of utmost urgency.

2. Any objections to our proposed projects

RES wishes to raise an objection over the omission of cluster grid connections as a flagship project.

Cluster Grid Connections

Northern Ireland is poised to deliver over 600 megawatts of onshore wind, in the last period of the Northern Ireland Renewables Obligation (NIRO). With a large majority of this connecting via clusters it is vital that the Utility Regulator ensures that there is a timely and transparent decision making in this area to restore industry confidence in a process that is currently failing. With the potential for over £900million of investment to be realised from the delivery of 600 megawatts of eligible projects that are either consented or under construction, RES would expect the Utility Regulator to prioritise the delivery of the cluster connections to secure a significant amount of generation that is good for the consumer, our economy and our energy security.

Any progress of future clusters that NIE/SONI may identify will be heavily dependent on the how quickly the NIE/SONI will complete the new “batch” connection process and actually get started on assessing the backlog of connection applications. Although it is understood that NIE/SONI will lead this consultation, it is important for the Utility Regulator not only to facilitate progress by through timely approvals but by setting strict timescales for this work to be completed.

Given the finite period to achieve this delivery and protect investment, RES would recommend that the Utility Regulator includes this as a ‘flagship’ business plan project for 2016-2017.

3. Any other comments

Energy Storage

We would encourage the Utility Regulator to consider how further innovation in energy storage can be included in its forward work plan. Energy storage will become an increasingly important part of the energy system in the future and a number of innovative projects are being developed in Northern Ireland. These can complement the additional penetration of renewables and contribute to ancillary services and system balancing. The future of electricity will be dependent on the appropriate mix of generation, demand and storage.

Innovation in Networks and Grid Connections

We note that there is no project in the forward work plan that seeks to promote or incentivise innovation and efficiency in electrical networks or grid connections. We believe that such a project would support the Regulators KPIs 1 & 3 within objective one. Without a strong lead from the Utility Regulator there is nothing to incentivise network operators to strongly consider more cost effective connection solutions as these costs are met by connectees and consumers.

NIE Resourcing

NIE play a crucial role in delivering network connections, we would encourage the Utility Regulator to ensure that such connections are offered in a timely manner and that NIE is planning for the medium to longer term for its resourcing.

Conclusion

RES hopes that this response provides constructive comments in the development and delivery of the Utility Regulator's work programme for 2016-2017. RES' hopes that its comments on the inclusion of cluster grid connection delivery under the NIRO are given due consideration and included as a flagship project for this year. We would be happy to discuss any element of this response in further detail.

Yours sincerely,



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