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### **NIE response to NIE Medium Term Plan Phase 2 Proposed Decision by the Utility Regulator**

Northern Ireland Electricity (NIE) welcomes the opportunity to comment on Utility Regulator's (UR) consultation paper entitled "NIE Medium Term Plan Phase 2: Proposed Decision".

On the basis that the consultation reflects NIE's proposals for the development of the transmission system, in light of the increasing level of renewable generation, NIE supports UR's minded-to position to approve these works. We would however draw the UR's attention to a number of items of detail contained within the paper which we feel require some clarification. NIE would also request that, following the completion of the consultation, UR provides NIE with the necessary approval as quickly as possible for the three projects:

- (i) Tamnamore phase 2.
- (ii) Kells Coleraine uprating
- (iii) Omagh Tamnamore 3<sup>rd</sup> circuit (pre-construction only)

### **Detailed Comments**

#### **Section 1.4 Bullet point 3**

Whilst the Renewal Integration Development Programme (RIDP) will propose 275kV development it will also include associated 275/110kV and 110kV elements.

#### **Section 1.5 Medium Term Plan**

Whilst the 3 projects are the most significant part of the NIE Medium Term Plan (MTP), there will be future MTP projects to further increase capacity on the transmission network. This submission does not complete the MTP.

#### **Section 1.6 Request**

NIE have obtained Planning Approval for the Omagh – Tamnamore 3<sup>rd</sup> circuit as stated, but have not started work on obtaining wayleaves or easements. This will commence when the UR has granted approval for the pre-construction work (£1.25m).

### **Section 1.7 Approval**

Whilst NIE welcomes the conclusion that UR is minded to approve the construction work for Tamnamore Phase 2 (£25.2m) and Kells to Coleraine (£2.6m), we would also request approval for the pre-construction work for Omagh to Tamnamore 3rd circuit, estimated at £1.25m. NIE also welcomes UR's proposal to approve in principle the construction work for Omagh to Tamnamore 3rd circuit.

As per 1.5 above, this submission does not complete the MTP.

### **Section 2.3 Point 1 (project 1)**

The Kells to Coleraine project will involve up-rating the complete circuit, not critical spans. Part of the circuit has already been up-rated.

### **Section 2.4 Omagh – Tamnamore 3rd circuit cost**

The UR quotes an estimated cost of the project at £16.0m including pre-construction (£1.25m). However on 12 December 2012 NIE updated the Utility Regulator of an estimated cost for this project of £20.0m. This did not include the £1.25m pre-construction costs.

### **Section 2.5 Procurement**

Procurement activity has not started on the Kells to Coleraine project. Some of the conductor (Invar) is available on a fixed term contract, the remaining conductor (GAP) will require a full procurement exercise.

### **Section 2.6 Commencing work on Omagh – Tamnamore 3rd circuit**

NIE will commence work on the detailed design and wayleaves when the UR has granted approval for the pre-construction work (£1.25m).

### **Section 3.5 FAQ**

The document states that no party is fully accountable for the provision of FAQ. It would be clearer to explain that NIE are responsible for delivering the infrastructure to increase the available FAQ. System Operator Northern Ireland (SONI) are responsible for the calculation and commercial application of the relevant FAQ.

### **Section 5.1 & 5.3 Impact on Customers**

We note in paragraph 5.1 that NIE is allowed to recover depreciation associated with the Regulated Asset Base (RAB) and a Return on the RAB (including an amount to cover tax), we also note in par 5.3 that the statement is made that figure 1 shows charges to Generators and Suppliers if the entire £44m investment was added to the RAB in one year.

The information presented in figure 1 (para 5.3) is not however reflective of these two statements, because the impact of tax has not been factored into the calculations and the investment has been brought in over a number of periods, rather than the entire investment being added to the RAB in one year.

### **Section 6.8 Reference to actual efficiently incurred costs**

The document states that “The actual efficiently incurred costs of the project will be added to the transmission renewables RAB.” It will be important that UR and NIE agree a process at the outset of the project whereby costs, as they occur, are considered against this requirement.

### **Section 6.9 Contingency**

The document states that the amount assessed includes 10% contingency and that NIE consider this sufficient to cover all foreseeable risks.

NIE would comment that whilst 10% contingency has been included to provide the UR with the best estimate of the potential total cost of this project, the actual outturn costs of the work will differ from this; for example no provision has been included for unforeseen costs outside the control of NIE. In the same way that NIE will recover only the outturn cost if this is less than the estimate detailed in this submission, NIE in its submission has sought approval from the UR to recover the total outturn cost of the project, even if it is in excess of the submitted cost including contingency, subject to the Fund 3 provisions to be finalised as part of the RP5 price control.

### **Section 6.10 Audit Costs**

Please refer to comment on section 2.5.

Yours sincerely



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**Transmission Planning Manager**