

Response: Review of Electricity Distribution and Connections Policy

Indaver Ireland & UK welcomes the Utility Regulator's publication of the *Review of Electricity Distribution and Connections Policy – Call for Evidence* and is pleased to have the opportunity to respond to this timely document. The inclusions of proposed key milestones for the Electricity connections review, with an estimated implementation phase of Q2/Q3 2017 onwards is most helpful for investors. From the outset, it is important to point out that Indaver fully supports the re-introduction of planning permission as a requirement in the connections application process.

Indaver currently owns and operates a small, centrally dispatched hybrid renewable generator in Duleek, Co. Meath. Within the next five years we plan to develop two similar generators in Belfast and Cork. Given the timelines, these facilities could become the first new build/own/operate projects in the I-SEM. Waste-to-energy hybrid capacity is controllable and predictable, though the operation is driven primarily by waste treatment rather than energy production. Therefore, the inability to connect to the grid in a timely fashion will not only have energy implications; it will also have a significant impact on waste treatment needs and the ability to meet overarching energy and environment policy objectives.

As noted in the document, Northern Ireland has successfully transformed its electricity sector with over 25% of electricity needs now met through generation from renewable sources, underpinned by high-quality cost efficient networks. Maintaining security of supply, cost competitiveness and making great progress towards meeting Renewable targets for 2020 prove a strong indicator of the success of Northern Irish energy policy to date. However, changes in how customers are connecting to and using the system require a change in connections policy. Not only will a revised connection policy need to align with any revision to the Northern Ireland government's review of the Strategic Energy Framework – legislative change may be required from the Department for the Economy in order to realise a timely, efficient and cost-effective connections policy underpinning security of supply.

For the purposes of this response to the call for evidence, the focus is primarily on generation connections, and focuses on a number of areas:

- 1. Future developments:** The call for evidence lists a number of expected future developments such as the completion of the North-South Interconnector, the successful implementation of the DS3 programme and the need to align a revised connections policy with Northern Irish government energy policy. It points to the new connections which may be of strategic importance in meeting generation capacity requirements. However, updating certain assumptions may be necessary to ensure a cost-efficient connections policy.
- 2. Legislative change:** In looking to how connections are provided and the licence conditions NIE Networks and SONI must adhere to, legislative changes may be necessary in order to enable the development of an optimum connections policy. The next phase of the consultation process should include a list of proposed measures, whether legislative change is required and the estimated timeline to introduce each measure.

3. **Introduction of transitional measures:** As noted above, significant legislative change may be needed for a cost-effective, timely and efficient connections policy. The call for evidence makes reference to the estimated timeframe of a minimum of two years should legislative change be required. Therefore, in a similar vein to the Commission for Energy Regulation's decision to introduce transitional measures before the introduction of an enduring policy, it may be prudent to adopt a similar approach.¹
 4. **Alternative connections policy:** The introduction of an Alternative Connections Policy by NIE Networks and SONI in May 2016 re-introduced the planning permission requirement in order to process applications. This is a way to make the efficient use of remaining capacity on the grid.²
- The document highlighted how Phase 2 would require urgent input from policy makers to define the optimum long-term approach. During the next stage of the electricity distribution and connections policy consultation process, guidance would be welcome from the Utility Regulator as to how Phase 2 will interact with the Electricity connections review process.
5. **Use of enforceable measures:** This has the potential to ensure the cost-effective use of capacity, therefore reducing network investments and ultimately the cost to consumers.
 6. **Deep charging structure:** The next stage of the electricity connections review should include a cost-benefit analysis and societal impacts of introducing a deep charging structure, when compared to using a shallow charging methodology.

Further detail on the points outlined above is listed below.

1. Future developments

The completion of the North-South Interconnector, the successful implementation of the DS3 programme and the need to align a revised connections policy with Northern Irish government energy policy will all have a bearing on the functioning of connections policy.

The estimated completion date of the **North South Interconnector**, subject to planning and land access requirements, is Q4 2020. A public inquiry will take place in Northern Ireland in February 2017 and a planning decision is not expected until the end of 2017. Although *An Bord Pleanála* (independent statutory planning body) has granted planning permission for the interconnector in the south, the decision is likely to be subject to a judicial review. Building is expected to take at least two years, meaning the project will not be up and running before 2020 even if the planning milestones are met in a timely fashion. As reflected in the most recent All-Island Generation Capacity Statement, the cumulative impact of retiring generating units at Ballylumford and Kilroot and unforeseen delays to the construction of the interconnector could have serious security of supply implications.³ A

¹ Commission for Energy Regulation, [Connection Policy Transitional Arrangements](#), CER/16/284

² NIE Networks and SONI, [Alternative Connection Application and Offer Process Proposal](#), 31 May 2016

³ EirGrid and SONI, [All-Island Generation Capacity Statement 2016-2025](#), 2016

revised connection policy, especially a transitional policy, must be mindful of these potential future developments.

The **DS3 Programme** is designed to meet the challenges of operating the electricity system in a secure manner while increasing the amounts of variable non-synchronous renewable generation (such as wind, solar) to meet the 2020 renewable energy targets.⁴ It aims at increasing the System Non-Synchronous Penetration to 75%. As will be discussed in section 3 below, the CER's Transitional Connections Policy, directed the system operators to prioritise DS3 system service providers until an enduring connection policy is decided.⁵ While there would be practical changes in implementing a similar policy in Northern Ireland (*i.e.* NIE Networks' and SONI's licence conditions preclude them from unduly discriminating between customers when carrying out connections works) and would therefore require legislative change to be instigated by the Department for the Economy. Nevertheless, it illustrates the complexities of increasing levels of wind and solar on the system, and the rationale of prioritising DS3 system services providers in order to benefit existing renewable generators by reducing their curtailment and further optimise the use of system for renewable generation.⁶

As is noted in the call for evidence, any changes to connections policy must work within the strategic priorities identified by the NI Executive and the **Programme for Government**. This is of critical importance when it comes to grid investment: selecting areas of the grid for investment ahead of the routine investment for underlying load growth is a matter for the Department for the Economy and is part of a wider economic strategy for Northern Ireland.⁷ However, it is not only network investment that could require legislative change as is discussed below.

2. Legislative change

Legislative change will be necessary in order to ensure a timely, efficient and cost-effective connections policy underpinning security of supply. The requirement for connecting customers to have planning permission would require legislative change from the Department of the Economy. Furthermore, the ability to prioritise plants capable of providing system services and hence improve system stability is precluded by NIE Networks and SONI licences. This would also require legislative change.

In advance of the next stage of the connection review process, the Utility Regulator should include a list of proposed measures and determine whether or not they require legislative change. The estimated timeframe for realising these changes should also be included in the document.

This will assist in deciding if a transitional (short-term) policy is therefore necessary.

⁴ www.eirgridgroup.com/how-the-grid-works/ds3-programme/

⁵ Commission for Energy Regulation, [Connection Policy Transitional Arrangements](#), CER/16/284

⁶ Commission for Energy Regulation, [Connection Policy Transitional Arrangements](#), CER/16/284

⁷ NIE Networks, [Investing for the Future, NIE Networks RP6 business plan 2017-2024](#)

3. Introduction of transitional measures

As noted above, significant legislative change may be needed for a cost-effective, timely and efficient connections policy. The call for evidence makes reference to the estimated timeframe of a minimum of two years should legislative change be required. Therefore, it may be necessary to introduce a transitional connections policy in advance of an enduring connections policy.

The Commission for Energy Regulation's (CER) publication of a transitional connections policy was in response to an unmanageable volume of solar and wind applications, and the processing rules in place for grid connection applications. Following consultation on proposed transitional measures, the CER introduced:

- **Capacity release** – refunding of first stage payment to projects that will not progress and agree to release their capacity. Eligible applicants will receive 80% of their first stage payment for a limited time (i.e. three months)
- **Facilitating connections of DS3 system service providers** to reduce curtailment and ensure the system can accommodate the increasing volume of non-synchronous generation.⁸

A proposal in the consultation paper to allow existing connections to increase their export capacity by 10% was not included in the decision paper.

The CER, by adopting these transitional arrangements, therefore aims to release unused capacity and facilitate the connection of plants capable of providing system services, thereby reducing energy costs through the more efficiency use of network capacity.⁹

4. Alternative connections policy

The introduction of an Alternative Connections Policy by NIE Networks and SONI in May 2016 reflected their respective licence and legislative obligations while ensuring the most efficient use of remaining capacity on the grid.¹⁰ The first phase was designed to exhaust all remaining capacity and re-introduced the planning permission requirement in order to process applications.

The document highlighted how Phase 2 would require urgent input from policy makers, defined by the requirements for legislative changes, the drivers for meeting renewable targets and the necessary network investments in order to define the optimum long-term approach. Guidance would be welcome from the Utility Regulator during the next stage of the consultation process as to how Phase 2 development will interact with the Electricity connections review process.

5. Use of enforceable measures

⁸ Commission for Energy Regulation, [Connection Policy Transitional Arrangements](#), CER/16/284

⁹ Commission for Energy Regulation, [Connection Policy Transitional Arrangements](#), CER/16/284

¹⁰ NIE Networks and SONI, [Alternative Connection Application and Offer Process Proposal](#), 31 May 2016



The call for evidence introduces the concept of using enforceable milestones, as is used in Great Britain, to incentivise capacity release. This would remove projects from the queue and potentially free up capacity for the projects that are ready to connect. This has the potential to ensure the cost-effective use of capacity, therefore reducing network investments and ultimately the cost to consumers.

6. Deep charging structure

A deep charging structure is also discussed in the call for evidence whereby the generator pays all costs associated with its connection, including the cost of physical connection to the grid and any upstream grid reinforcement costs. As noted in the paper, a deeper distribution charging framework could provide stronger locational signals to invest where there is existing capacity. The next stage of the electricity connections review should include a cost-benefit analysis and societal impacts of introducing a deep charging structure, when compared to using a shallow charging methodology.