



Response: Review of Electricity Distribution and Connections Policy – Consultation on next steps - May 2017

Indaver Ireland & UK welcomes the publication of the consultation on the next steps of the Utility Regulator's of the Review of Electricity Distribution and Connections Policy.

We welcome the clear distinction in the consultation paper between measures that require legislative change and measures that could be implemented under the current legal and regulatory structure. This provides a good starting point to assess what can realistically be achieved in the short term, given the challenges presented by the lack of capacity on the network for new generation connections. While decisions are made on the investment capacity to reinforce and build the network, it is prudent to focus on the changes that are permissible under the existing legal structure and to focus on the necessary legislative amendments to improve the grid connections framework.

In essence, a fit for purpose grid connection policy (operating within a constrained grid investment environment) must be responsive to the market structure and have the ability to differentiate between distinct technological characteristics that can best deliver the public interest. Furthermore, in considering the necessary legislative reforms for connection offers, this provides a timely opportunity to deliberate how government priorities (environmental policy, compliance with government statutory targets) should influence grid connections policy and the role NIAUR in implementing connection policy (rather than just ensuring that licence requirements are implemented). While beyond the scope of this consultation, it also provides an opportune time to align with provisions of the Planning Act (NI) 2011, such as recognising projects of importance to the whole of Northern Ireland.¹

About Indaver

Indaver currently owns and operates a small, centrally dispatched hybrid renewable generator in Duleek, Co. Meath. Within the next five years we hope 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. With this in mind, our comments reflect the imperative of aligning grid connections policy with the commencement of I-SEM and the ability to participate meaningfully in the market (such as the Reliability Option auctions for the Capacity Remuneration Mechanism).

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 in Northern Ireland and the ability to meet overarching energy and environment policy objectives.

¹ Section 26 of the Planning Act (NI) 2011 has a special regime for planning applications considered to be of regional significance. http://www.legislation.gov.uk/nia/2011/25/pdfs/nia_20110025_en.pdf



Summary of recommendations

1. A fit for purpose grid connection policy (operating within a constrained/uncertain grid investment environment) must be responsive to the market structure and have the ability to differentiate between distinct technological characteristics that can best deliver the public interest.
2. The process should consider how government priorities (environmental policy and compliance government statutory targets) should influence grid connections policy and the role NIAUR in implementing connection policy (rather than just ensuring that licence requirements are implemented).
3. Capacity release proposals should be introduced as soon as possible.
4. The NIE should consult on measures to introduce milestones into the connection process. A consultation should consider how the distinct permitting timeframes for different types of generation could be folded into a workable milestones methodology.
5. Bonding arrangements should be considered to ensure that applicants are committed to the process from the outset.
6. Planning permission should be required in the connections application process and it should continue to be the interim policy until proper legislation is put in place.
7. Legislative measures should be introduced to allow for the prioritisation of certain types of generation (i.e. those that can provide system stability) and meet security of supply requirements.

A. Connections network management

Recommendation 1.25 ask NIE Networks consider the incidence of under-utilisation and requests proposals on how to address capacity release. As noted in our response to the first consultation paper (call for evidence), recent transitional measures introduced by the Commission for Energy Regulation's include capacity release (refunding of first stage payment to projects that will not progress and agree to release their capacity). The consultation paper mentions recently introduced measures by GB DNOs aimed at releasing capacity. The OFGEM report provides interesting information on the acceptance rates for distribution generation connection offers, ranging "...between 4% and 28%, meaning that in some instances less than 1 in 20 connection offers will convert into an actual connection."²

While a decision is pending on the approval for a D5 mechanism to allow for additional grid investment, Indaver looks forward to proposals from NIE Networks on capacity release.

² <https://www.ofgem.gov.uk/system/files/docs/2017/02/unlocking-the-capacity-of-the-electricity-networks-associated-document.pdf> (1.9)



B. Connections process and queue

(i) Milestones

In the absence of introducing legislative change to adopt a multi-criteria approach (see section (iii) below), a milestones based approach should be considered. While Indaver understands the principle of following a queue based approach, given the limited capacity on the network, it may be more appropriate to introduce a system based on milestones to support the development of consented projects. As this measure would not require legislative change, Indaver would welcome a proposal from NIE Networks as to how milestones could function under the current regulatory framework. A consultation must address the distinct permitting timeframes for different types of generation could be folded into a workable milestones methodology.

Furthermore, in order to ensure the most efficient use of valuable capacity, bonding arrangements should be considered in tandem with milestones to ensure that applicants are committed to the process from the outset.

(ii) Planning permission

Indaver recognises that a legal solution to introduce planning permission as an enduring requirement is necessary. As noted in our submission to the call for evidence paper, we fully support the reintroduction of planning permission as a requirement in the connections application process and it should continue to be the interim policy until proper legislation is put in place.

NIE Networks raised an important point in their response to the call for evidence. It states that in the absence of existing legislation being revised, connection policy needs to allow for the fact that different generation projects may apply for and receive planning permission at different times. Therefore, the planning permission requirement should be considered alongside ways to ensure that any new connections policy aligns with the needs of the electricity system.

(iii) Prioritisation

Indaver recognises that in the absence of changes to NIE Networks Licence, it is currently precluded from differentiating between different types of generation. However, we would contest that in the current connections environment, it is appropriate to explore additional criteria for prioritising connections. In looking at the various methods for processing applications, and the best approach for managing scarce network capacity, we see the merits in adopting a multi-criteria approach to assess and prioritise energy connections.

For example, as noted in our previous submission, the CER's Transitional Connections Policy introduced the prioritisation of DS3 system service providers to reduce curtailment and ensure the system can accommodate the increasing volume of non-synchronous generation. It directed the system operators to prioritise DS3 system service providers until an enduring connection policy is decided. While there would be practical changes in implementing a similar policy in Northern Ireland,



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 intermittent renewable generators by reducing their curtailment and further optimise the use of system for renewable generation.

Furthermore, developments in I-SEM must be taken into consideration so that market signals bring about the necessary conditions to meet security of supply requirements in the most efficient manner **and** can facilitate the distinct characteristics that various technologies bring in terms of security of supply, sustainability and competitiveness.

C. Extension and connection offer requirements

(i) Requirements for connection offer extensions and to refuse to provide a connection offer

Indaver recognises the purpose of this section of the review is to remove any inconsistencies/discrepancies that exist between legislative instruments and NIE's Distribution licence regarding a refusal to provide a connection offer.³

While we understand the rational of setting out a process for the Licensee(s) requesting and granting an extension, it is very difficult to provide a substantive opinion when there is limited information on what Phase 2 of the Alternative Connection and Offer Process will look like, or indeed when a decision on it will be made. A clear direction is necessary if vital energy and waste infrastructure is to be developed in order to meet overarching national policy objectives.

³ As outlined in the consultation paper (2.3-2.7) NIE Networks (under Condition 30 of its Distribution Licence) must provide a new or modified electricity connection where requested. However, NIE Networks has a range of powers to refuse a connection under Directive 2009/72/EC (the Directive), the Electricity (Northern Ireland) Order 1992 (the Order), and Condition 30 of the Distribution Licence. Under Article 32(2) of the Directive, NIE Networks may refuse to provide a connection offer where it lacks the necessary capacity (and provide objective and technically and economically justified criteria for the refusal). Article 21 of the Order provides several grounds on which NIE Networks can refuse a connection. One such ground is where it is deemed that there is a lack of capacity.