

Response to Utility Regulator Call for Evidence

Review of Electricity Distribution and Transmission Connections Policy

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1. BACKGROUND

NIE Networks welcomes the opportunity to respond to the Utility Regulators Call for Evidence in relation to the review of Electricity Distribution and Transmission Connections Policy. NIE Networks believes that this collaborative industry engagement is the best approach following on from the success of the “Contestability Working Group” and “Alternative Connection Application and Offer Process”. These previous consultations provided industry engagement which have enabled market opening for connections greater than 5MW and provided an approach to utilise remaining network capacity for renewable generation.

This response sets out NIE Networks initial response to the questions posed within the Call for Evidence and highlights other issues which may need addressed including any interdependencies with other on going developments in the connections business.

2. STRATEGIC PRIORITIES (QUESTION 1)

As the Distribution Network Operator (DNO) NIE Networks agrees with the strategic priorities set out in the Call for Evidence as outlined below:

- Efficient and cost-effective connections
- High levels of quality of service and transparency in the provision of connections
- Maintains or improves secure supply of electricity in Northern Ireland
- Timely, robust and flexible connections process

However as part of this consultation NIE Networks realises that a number of areas will need to be considered to enable these strategic priorities to be maximised for the connecting customer and the wider consumers. Strategic areas for consideration include Government Policy, Flexibility and Future Proofing.

2.1 Government Policy

As outlined in the Alternative Connection Application and Offer Process decision paper engagement with all relevant stakeholders including the Utility Regulator and the Department for Economy in relation to energy policy is required. This engagement needs to set out the approach to connecting renewable generation beyond the 40% target and enabling efficient and cost effective solutions. This view will determine the approach to addressing the lack of capacity issues on both the distribution and transmission networks.

2.2 Flexibility & Future Proofing

Within the strategic objectives it is suggested that connections should be flexible and future proofed where possible. Although NIE Networks would align to this objective the current regulatory framework does not allow for much scope in either area. In relation to future proofing NIE Networks would require further discussions to understand which elements of a connection offer are to be considered for future proofing. In relation to flexibility in connections NIE Networks are willing to consider options to offer timed connections or smart solutions.

3. CONNECTIONS DEVELOPMENTS IN NI (QUESTION 2)

NIE Networks agree that there needs to be significant focus on the strategy for Phase 2 and how capacity could potentially be released and what the mechanism would be to allocate capacity in such circumstances.

NIE Networks agree that the North South Interconnector and the DS3 programme provide opportunities to overcome some of the capacity and operational challenges faced in the Northern Ireland electricity Distribution and Transmission networks. NIE Networks will continue to provide input and support to these key projects.

NIE Networks agree that a number of flexible, smart solutions need to be investigated and have highlighted these in our RP6 plan. However this may only provide a medium term solution which could bridge the gap to enable future network reinforcement to be completed. NIE Networks has found that the Managed Connection pilot provided significant learning in relation to smart solutions. It also highlighted that although many issues faced in Northern Ireland are similar to Great Britain there are specific challenges within our system and geographical area which need further research and development. NIE Networks have already provided an update to the Managed Connection forum and are happy to share this learning during the consultation process.

NIE Networks recognises the Call for Evidence seeks to address many of the current challenges within electricity connections policy in NI. NIE Networks would also like the process to focus on further future smart developments. BEIS and Ofgem released a Call for Evidence in November in relation to 'A smart Flexible Energy System'¹ this paper focused on a number of areas including

- Removing policy and regulatory barriers
- Providing price signals for flexibility
- A System for the Consumer
- The roles of different parties in system and network operation
- Innovation

NIE Networks are currently engaged with the Energy Networks Association National Grid and GB DNOs in providing a coordinated response to the BEIS and Ofgem CfE for the development of 'A Smart Flexible Energy System'. NIE Networks propose developing this strategy towards the goal of a flexible distribution network which maximises access for all stakeholders in Northern Ireland.

4. ISSUES FOR REVIEW (QUESTIONS 3-7)

NIE Networks agrees that connections policy should promote effective network management. NIE Networks believes that innovation projects are required to help facilitate the connection of low carbon technologies, and to release network headroom at a much lower cost than traditional reinforcement. To realise these benefits NIE Networks has identified investment requirements in our RP6 Business Plan to enable a smooth adoption of innovative network solution in Northern Ireland

NIE Networks agree that a full review of the distribution charging framework should be undertaken as part of this consultation. NIE Networks recognise that opinions on charging requirements will vary across different customer types. Some customers would like deeper charges to be introduced to enable them to pay for the deeper works to get connected. Others may be keen to adopt a charging mechanism which allows for apportionment of costs for certain connections. NIE Networks believes that due consideration should be given to introducing an apportionment charging and to introducing flexibility within the charging statement to enable customers, at their request, to pay for deeper reinforcement. NIE Networks realise that implementing

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567006/Smart_Flexibility_Energy_-_Call_for_Evidence.pdf

some of these changes may require licence modifications and are also not being considered as part of the ongoing RP6 process therefore due consideration should be given to the timing of such changes.

NIE Networks believes that in light of capacity limitations this consultation should seek to address the connections process and queue management particularly in relation to renewable connections. An important element to consider during this process is how new capacity is released moving forward. Assuming that new capacity becomes available in smaller blocks (after a substation build or network upgrade) a process will be required to invite applications for a specific geographical area.

NIE Networks has a history of developing and implementing a number of technical and operational innovations. As part of this consultation due consideration should be given to the queuing principles and connection offer conditions required to enable customer research and development projects (which meet specific requirements) access to the distribution network.

NIE Networks also believes due consideration should be given to different applications types including zero export, over installation, hybrid type solutions and those projects which may provide additional security of supply benefits. Such consideration needs to take account of the statutory and regulatory obligations on NIE Networks.

NIE Networks has seen a significant increase in applications for modified connections for example Zero Export requests. Any modification or alteration to an existing customer's installation must be compliant with the current D Code and the terms of any connection agreement held by the customer. In order to ensure the safety and reliability of the network NIE Networks must assess the impact of such a modification on the distribution network. NIE Networks would welcome further discussions with the UR in relation to modification applications before any potential wider consultation.

As part of the consultation ran by NIE Networks and SONI industry showed great support to introduce legislation which requires planning permission when a connecting customer submits an application. 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. The possibility of NIE Networks applying specific milestones to projects following the connection application being received needs to be considered, with the objective of ensuring that those projects which are capable of proceeding are connected prior to those projects which are not so advanced. The work already underway in GB should provide a good framework to develop in this approach in Northern Ireland.

NIE Networks would support consideration of connections customer service, engagement and pricing transparency as part of this review. NIE Networks already operates against current guaranteed and overall standards put in place by the Utility Regulator. NIE Networks will also be providing a response to the Call for Evidence in relation to guaranteed standards.

In relation to customer service, competition in the market for new connections is the best way to ensure customers receive good and efficient service. NIE Networks is currently in the process of opening up the market fully to competition in early 2018, having successfully opened the market for distribution connections >5MW at the end of May 2016. Our key focus for 2017 is to deliver a business transformation programme to open the market for distribution connections <5MW to competition.

This is a major programme of work, and significant changes are being made to our IT systems to accommodate a contestable market. However these changes do not include those which we understand would be needed to track the required metrics necessary to implement and monitor connection standards as applicable in GB. Furthermore some of the GB connections standards are targeted at contestable works; so the market needs to be opened fully before such standards can be applicable in NI.

NIE Networks considers that the introduction of guaranteed standards of service in connections should follow only after the market has been opened up fully to competition, and adequate time has been allowed for contestability to become established and to stabilise.

5. CONCLUSIONS

NIE Networks welcomes the opportunity to take part in a collaborative engagement with key industry stakeholders in relation to Connections Policy. This review will require a significant effort by all involved to respond to the consultation and attend forums to enable a decision paper in Q2/Q3 2017.

As outlined above NIE Networks are currently focused on opening the market fully by early 2018. Contestability is a major and important change to the market, which will bring benefits to customers. NIE Networks have been facilitating this project and believe it should be the priority over the short to medium term. This is a major programme of work, and significant changes are being made to our IT systems to accommodate a contestable market. However these changes do not include any consideration of outputs in relation to the current Calls for Evidence in connections policy and guaranteed standards. If either consultation requires a significant change in process or reporting consideration must be given to the timing of implementation and impact (if any) on fully opening the market.

NIE Networks recognise that there is wide range of areas covered within the Call for Evidence. Careful consideration should be given to prioritising and scheduling of the various work streams. NIE Networks believes the initial focus should be placed on addressing the lack of capacity issue and fully opening the market.

There are also a number of changes which could have a significant impact on RP6. NIE Networks has submitted our business plan for RP6 based on the current connections policy and UR is formulating its determination at present. There is a potential that some changes identified as part of this consultation will have a direct impact on the price control. One example could be changes to the deep/shallow reinforcement charging.

There are areas which may require changes to the regulatory and statutory framework in which NIE Networks operates before connections policy can be revised. This process may need to run through the RP6 period towards RP7. NIE Networks believes that with such a wide ranging consultation each work stream should highlight potential timescales of proposed solutions to help manage stakeholder expectations.