

4th March 2011

Utility Regulator Consultation on the SONI Price Control 2010 - 2015

The Northern Ireland Renewables Industry Group (NIRIG), a joint collaboration between IWEA and Renewable UK, welcomes the opportunity to comment on the Utility Regulators consultation on the SONI Price Control 2010 – 2015.

The Three main areas of interest in the consultation document are Operations Expenses, Capital Expenses and Incentives. Our specific comments in these areas are:

OPEX:

We are conscious of the resource pressures on SONI while dealing with the increasing complexities of connecting and operating a system with high penetration levels of renewables. It is important to the renewables industry that SONI is enabled to operate effectively within an increasingly changing industry. We would support the request by SONI for additional staff resources to work on the growing renewables interests.

CAPEX:

SONI have discussed the need for additional capital expenditure to support integration of wind power. We note that the Regulator supports the development of the Wind Curtailment tool and we welcome this decision. We would however support the need presented by SONI for the development of both Satellite Communications to Windfarms and the Wind Stability Assessment Tool. The Facilitation of Renewable studies clearly illustrate the technical challenges of running a system with high penetration levels of renewables. This is an important part of the tools required to modernise and integrate renewables into the energy market. These should be core costs met by SONI in the sound conduct of its business.

The 2009 RES-E directive clearly gives absolute priority dispatch to renewables. Any curtailment of renewables should only be for system security and reliability reasons. It is our understanding that this directive will be transposed during 2011. To achieve this objective it appears likely that SONI may require additional operational and planning tools and resources to ensure that the dispatch of renewables. NIRIG respectively request that there is flexibility within the CAPEX and OPEX budgets within the period of this price control to allow SONI to address the new challenges of running a system with high penetration of renewables.

Incentives:

We welcome the introduction of world class forecasting by SONI however we consider that further additional incentives are appropriate. We would ask the regulator to note that as renewables has priority dispatch through the RES-E directive, regardless of cost, additional incentives could be used effectively to encourage SONI to maximise the amount of renewables available for dispatch. There is also substantial work in the connection of the levels of renewable generation required to meeting the Governments renewable targets. SONI has a very important role in the connection of both transmission and distribution connected generation.

We would ask the Utility Regulator to consider the following potential additions:

1. Minimise level of constraint and curtailment of renewables
2. Delivery of connection offers, modifications and constraint reports on time
3. Specifying appropriate grid code rules and enforcing them
4. Bringing innovation to system operation and design
5. Answering customer queries promptly, accurately and consistently
6. Delivering on the next steps from the facilitation of renewables studies

Question 1: Do Respondents agree with the proposed approach for the SONI Price Control?

A: Overall we would comment that there are not enough incentives – this must be addressed as a priority as commented above.

Question 2: What Duration to respondents deem appropriate for the SONI Price Control: Five-and-a-half years from 1 April 2010 to 30 September 2015 or three-and-a-half years 1 April 2010 to 30 September 2013?

A: We would support a five year approach with flexibility to deal with the additional resource and capital requirements as needed on a case by case basis.

Question 3: Do Respondents agree with the proposed headcount and payroll allowance for the SONI Price Control?

A: It is clear that SONI needs to expand its headcount to deal with the increasing size of its workload as the system becomes more complex. There are very particular issues associated with ensuring renewables have priority dispatch, reducing curtailment and improving telecommunications to wind farms. We recognise that resources need to be in place to deal with this both currently and in the future as the addition of renewables to the grid network increases management complexity. We would ask the regulator to consider the future needs of the electricity market as a whole and the roll the resources identified by SONI will play in its smooth operation.

Question 4: Do Respondents agree with the proposed IT & Comms allowance for the SONI Price Control?

We are concerned as an industry that the proposed Satellite Communications Project to wind farms is not considered by the Regulator to be of significant and central importance in the work of SONI. SONI is in an ideal position to work on this innovative area, looking at the options available to improve communications and identifying the most cost efficient and sensible approach for industry to follow. We comment SONI for their efforts to support the progress of the electricity industry in this way and would ask that funds for Satellite Communications are made available as requested as a core need.

Question 5: Do Respondents agree with the proposed pension allowance for the SONI Price Control?

No comment

Question 6: Do Respondents agree with the proposed pension deficit recovery period and treatment for the SONI Price Control?

No comment

Question 7: Do Respondents agree with the proposed Other Opex allowance for the SONI Price Control?

No comment

Question 8: Do Respondents agree with the proposed Capex allowance for the SONI Price Control?

We are pleased to see that the development of Curtailment Tools are being supported in this price control review. It is imperative however, in an increasingly complex electricity market that SONI are equipped with the full set of tools to operate effectively. The proposed Wind Stability Assessment Tool would add greatly to the efficiency of SONI's operations and we would request that this is supported as a matter of necessity.

Question 9: What opinions do Respondents have regarding the future building requirements for SONI?

No comment

Question 10: Do Respondents agree with the proposed WACC for the SONI Price Control?

No comment

Question 11: Do Respondents agree with the proposed Depreciation period of 10 years (straight line) should be used for the price control period?

No comment

Conclusion

NIRIG would encourage the greater application of incentives in the price review. We also acknowledge that SONI need new resources to deal with high penetration levels of renewables on the system and the pressures this brings. We would ask the Regulator to consider the need for these resources more fully in the context of a growing renewable energy market in NI.

We thank you for the opportunity to comment on this consultation and look forward to continuing our work with the Utility Regulator and SONI.